

TECHNOLOGY DEPARTMENT  
Vol. XXXI, No. 8

August, 1929

# CREDIT

## MONTHLY



### The Credit Manager's Office

A New Department of the Credit Monthly for the  
Exchange of Ideas and Experiences

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Full Contents, Page-3

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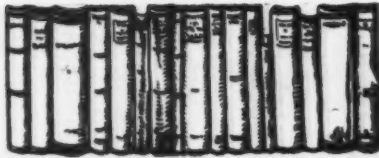
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## The Business Library

By Frank A. Fall, Litt.D.

Director of Education and Research, N.A.C.M.



# Federal Reserve System—Accounting for Executives—Investment Trusts

## A Complicated Situation

STATE BANKS AND THE FEDERAL RESERVE SYSTEM. Charles E. Tippetts. D. Van Nostrand and Co., Inc., N. Y. 1929. 398 pp. \$4.00.

Widespread discussion of what really constitutes the functions of the Federal Reserve system, stirred up by the continued activity in stock market speculation, has made the publication of this study by a member of the State University of Iowa particularly timely.

In the life of the Federal Reserve, which covers a period of about fifteen years, there has been a great deal of controversy over the advantages and disadvantages of membership. Dr. Tippetts, believing that nothing reveals a public institution in its true light more than free and open discussion of its merits, welcomes this continued debate, but wisely suggests that critics of the system base their arguments on facts rather than on imagination or prejudice, as has frequently been the case in the past.

There are undoubtedly unpleasant facts to be faced in the present situation. There are now about a thousand fewer banks in the Federal Reserve membership than there were in 1922. More than 200 state banks and trust companies have withdrawn from membership. About 700 national banks have failed during this period. Something must be wrong. What is it?

More stringent supervision would have prevented a large proportion of the failures, but that is not the complete answer. A severe tightening of banking standards in the Federal Reserve system would probably drive out a large number of present members, Dr. Tippetts believes, because they could, in many cases, operate much more profitably under State laws. Until the various states take appropriate measures to secure higher standards of banking ability and practices it is difficult for the Federal Reserve to accomplish much more than it has already done in this respect.

In view of the fact that members of the System deserve special consideration, Dr. Tippetts is convinced that it would be desirable to amend the Federal Reserve Act and permit special dividends on Federal Reserve Bank stock from time to time as the earnings of the Reserve banks make this possible. There is now, in his opinion, no particular reason why all of the surplus earnings should be paid to the government. He believes that this could

be done without committing the Federal Reserve Banks to a profit-making policy, and regards the plan proposed by the New England bankers in 1923 as highly feasible.

The author admits, in conclusion, that there is probably room for improvement in the administration of the Federal Reserve System. Here, he suggests, is an opportunity for increasing the good-will of both members and non-members. The officers of the system have doubtless made mistakes and in Dr. Tippetts' opinion one of these was the institution of forceful methods to drive non-members on the par list. But, on the whole, the officers of the System deserve commendation for having met, with good judgment and skill, situations involving no end of difficulties.

It has been said (by F. P. Bennett in the United States Investor) that "the principal weakness of the Federal Reserve System is the lack-luster loyalty of its members." But if attention can be centered on improving the administration of the system; meeting delicate situations with tact and diplomacy; and encouraging members, by means of occasional district meetings of officers of local banks, to feel that it is their system, it may be possible as time goes on to enroll many new members, thereby bringing about a still greater unification of our banking system.

## Accounting for Executives

ELEMENTARY ACCOUNTING. Frank Hatch Straightoff. Harper & Bros., N. Y. 1929. 501 pp. \$5.00.

This text, by the professor of business administration in Indiana University, approaches accounting as a tool for the interpretation and the direction of business. It represents the fruits of long experience in teaching accounting and in classroom experimentation with mimeographed material.

So many accounting texts are now in the field that it is difficult to present any really new material, but Dr. Straightoff has at least given a new turn to some of the most important accounting problems, and his arrangement of material is particularly good.

Following each chapter heading is a brief synopsis, "Argument of the Chapter," and at the end of each chapter the author has provided both questions and problems, so framed as to be of use to

the executive as well as to the student of accounting. There are also two review chapters, one at about the middle of the book and one at the end.

In Chapter XXV, on "Interpreting Financial Statements," Dr. Straightoff refers to the statement forms provided by the National Association of Credit Men, and says:

"There is one thing in which the creditor is pre-eminently interested. He wants to know whether the prospective debtor will stay solvent long enough to settle the proposed debt. Beyond this, he wants to know whether the prospective debtor has the means of settling promptly at the maturity of the obligation. He seeks information as to whether the organization is progressive and worthy of help or is on the decline and desperate for aid. He wants to know whether the applicant will be one whose business will be profitable for a long period of time."

Chapter XXVI, "Mechanical Aids to Accounting," presents material which is found in only the more recently published texts. It covers such problems as the adapting of ledger sheets and books of original entry to special uses, machine posting and billing, and machine preparation of statements.

In Chapter XXVII, "Designing Sets of Books," Dr. Straightoff has brought out some useful ideas which have not been adequately stressed by many of the other writers on accounting. Books of account should, he says, furnish something more than merely history. They may be used from week to week in the guidance of policy in three ways:

1. Control.
2. Budgeting.
3. Internal Checks.

In conclusion, Dr. Straightoff makes the following admirable summary:

1. The purpose of bookkeeping is the furnishing of a maximum of desirable information, promptly, and at a minimum of expense.

2. The bookkeeping system should be built upon a routine that provides internal checks wherever they are needed, as well as data for control and for budgeting.

3. The first step in designing a set of books is a thorough survey of the organi-

(Continued on page 36)



## Addresses Wanted

This column is read by some Credit Managers before any other feature of the magazine. Any member of the National Association of Credit Men can have names listed herein. He has only to send the names to the secretary of his local Association of Credit Men or to S. Ardron, Jr., Credit Protection Department, N. A. C. M., One Park Ave., New York. Members are requested to mention the line of business as well as the last known address.

ALTMAN, HARRY, 25 East 170th St., N. Y.  
ANEY, M. G., formerly of Eureka, Kansas, Kans.  
BEAUTICRAFT COMPANY, who were located at 32 West 18th St., N. Y.  
BENJAMIN, ADA M. (MRS.), proprietor of Elite Millinery Shop, formerly of Lafayette, Ind.  
BIXLER & SON, formerly of Waterloo, Ind.  
BROWNING, C. M., formerly of Winoosburg, Vt.  
CAMPBELL, T. E., formerly of Milo, Okla.  
COHAN, GEO. M., salesman, Detroit, formerly rep. Middishade Co. and Chapman, Finch & Smith, Inc.  
COUGHLIN, JOHN HENRY, formerly employed by Frigidaire Co., 540 Fairfield Ave., Bridgeport. Last at 1 Bilyard St., Devon, Conn.  
COX, J. C., prop., National Hardwood Floor Co., formerly 123 Robinson St., Oakland, Pittsburgh.  
CRAWLEY, F. E., former rep. A. H. Berry Shoe Corp. in N. C. and S. C. Lived at 11 Poinsett Ave., Greenville.  
CREWS, PAUL, baker, formerly 725 Brown St., residing at 152 N. 21st St., Phila.  
FISHER, JOHN, The Leader, St. Johns, Mich.  
FLYNN, W. F., formerly of Ruth, N. C.  
FORTUNE, W. J., contractor, in 1928, at 1546 North Robey St., Chicago.  
FUCHS ELECTRIC CO., 213 East 160th St., N. Y.  
GOLDON, M., 4160 Lancaster Ave., Phila.  
GRANET, JACOB, formerly in the tailoring business, 749 B'way, N. Y.  
HACKETT, H. H. Jr., former propr. Hollywood Office Supply Co., Los Angeles. Now in N. Y.  
HARRIS, J. W., formerly of Fairhurst, Del. Left for parts unknown.  
HITTMAN, ANNA, trading as Hittman Dress Shop, 365 Post St., San Francisco.  
HOHWALD, P. H., Pompton Plains Garage, Pompton Plains, N. J. Formerly 319 N. Park St., E. Orange, N. J.  
HOOD, THOS. E., Mansfield, O., some time ago. In 1917, ran grocery store, and was mgr. General Baking Co., Cleveland. Ran Cottage Cheese Route in Cleveland to Me., 1927. Lived at 1624 East 73rd St., Cleveland. Last known address, 15 Narragansett Terrace, Riverside, R. I.  
HORTON, H. T., formerly of 310 Earthen St., Amarillo, Tex.  
KATZMAN, MORRIS, former propr. American Confectionery Co., 911 N. Marshall St., Philadelphia. Moved to N. Y.  
LALLY, EDWARD W., formerly located at Carlsbad, N. M.  
LEASURE, CHAS. T., formerly 1644 Myrtle Ave., Grand Theatre Bldg. Later at 36 W. Main St., Carnegie, Pa. Had a bank account at Columbus, O.  
LEVY, A., formerly of Alexandria, Va. Now in Washington? Connected with the Civil Service Commission.  
MADSEN, MAX, formerly 354 Columbus Ave., N. Y.  
MATHURIN, RUSSELL, operated art store in 1928, at 9 North Cicero Ave., Chicago, under name Mid West Art Co.  
MERRITT, C. H., painter and decorator, formerly 556 Dorr St., Toledo.  
MILLER, H., 24 Chelsea St., Charleston, Mass.  
MONTAGUE (W. P.) & SPARKS (HOYT), formerly proprs. New Sample Shoe Store, Raleigh, N. C.  
PASBJERG & SON, W., formerly in Highland, N. Y.  
RUSSELL, L. M., formerly 272 Locust St., Akron.  
SAULL, BARNEY, Saul's Luggage Shop, 20 Newark Ave., Jersey City. Moved to Passaic. Now in N. Y.  
SCOTT DRY CLEANING CO., INC., formerly 101 S. 22nd St., Birmingham.  
SHIMEL, D. STANLEY, The Stanley Co., Statesboro, Ga. Now in N. Y.  
SIEMASZ, JULIUS, 5926 Longo, later at 7706 Michigan Ave., Detroit.  
SMITH, C. C., 5391 Boynton St., Germantown, Pa.  
STAUFFER, J. A., formerly at 7012 Sherman St., Houston.  
TEPPER, B. J., last address general delivery, St. Petersburg, Fla. Once operated IXL Taxi Service, Inc., 431 Hudson Ave., Brooklyn. Previously operated IXL Taxi Co., 2300 Champlain St., N. W., Washington, D. C.  
THOMAS, J. L., Offerman, Ga. Went to Florida?

# CREDIT

## MONTHLY

(Member, Audit Bureau of Circulations)

RODMAN GILDER, Editor

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VAUTER, ROY, (colored), painter and decorator, formerly 5719 Thackeray Ave., Cleveland.  
WACHTLER, J. M., last known address 251 W. 36th St., N. Y.  
WANTYKER, JOHN F., 129 Walter St., Perry, N. Y. In Perry, Rochester or Detroit?  
WARWZYCNICK, W., painter and decorator, formerly at 3838 E. 63th St., Cleveland.  
WELLS, ROY, formerly Tuscarawas, Ohio.

WILSON, H. E., Denver; Ransom, Kans.; and Borger, Tex.  
WOHL, A., Parsons, Pa. Reported in N. Y. and later Cleveland.  
WOLEVER, GEORGE, formerly salesman, Columbus, reported salesman for a Cleveland automotive jobber or mfr.  
ZETMORE, LOUIS N., formerly of N. Y.

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Liabilities including capital ..... 16,478,915  
Net Surplus ..... 7,735,508  
Surplus to Policyholders ..... 12,735,508

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# "A Sales Asset"

## A Veteran's Description of the Credit Department

By John H. Wiles

Vice-President and Treasurer, Loose-Wiles Biscuit Co., Kansas City,  
A Charter Member of the National Association of Credit Men

THE head of every modern Credit Department will readily agree that the Credit Department is a valuable asset to the Sales Department. Furthermore, credit is a sales asset, and vice versa, if they are properly co-ordinated.

To handle any proposition you must understand not only how to do it, but *why*. This makes it essential, that the Credit Manager should familiarize himself not only with his own problems, but those of his associates in the Sales Department and also those of the credit customers. He should strive to bring about a better understanding among all departments, and particularly between the Credit and Sales. Get everyone to understand and believe that the end of all successful business is through sincere co-operation.

Co-operation does not always mean to have the other fellow follow *your* ideas, or to totally disregard the suggestions of your co-workers in a common cause—there must be unity and harmony. The proper method of getting results is not through opposition, or argument, but through the education of all concerned.

We know that the purpose of all successful business is Profit, to realize which all must work together. This can best be done when each has a proper understanding of the work and responsibility of all departments. Yet each department may consider itself of paramount importance.

### Consider the Main Spring

If you ask a group of people what is the most important part of a watch, nine out of ten will answer, the main spring. But as a matter of fact every part of the watch mechanism is equally important; the tiniest jewel as much as the main spring, for if any one part fails, the whole watch ceases to perform. In a business, every department must function or failure will follow.

It is true that the main spring of a watch furnishes the impetus, but im-



John H. Wiles

petus without all other factors being co-ordinated means nothing. In a merchandising organization, sales may be likened to the main spring of a watch. It furnishes the impetus, but if it is not properly backed up and supplied with product, service and proper accounting, Sales alone would not attain the profit goal. Therefore it is important that all should realize that whether they know it or not, they are indirectly in the Sales Department.

This is particularly true of a manufacturing business. If operators in the production end or the office were told they were a part of Sales Department, many would be incredulous. If the goods produced are not properly and perfectly manufactured; if labels are put on irregularly, and wrapping or packaging carelessly done, *sales are injured*. If the fireman in the boiler room fails to keep up steam, machinery slows down and affects quality. If the goods are not properly handled and packed, and fail to reach customers in prime condi-

tion, *sales are affected*. If the delivery man is not courteous and businesslike in his relations with the customer, if the bookkeeper makes errors in his accounts, if the Credit Department fails either in courtesy or in proper consideration of the circumstances surrounding the customer's account, *sales are affected*. No man in the manufacturing, shipping, accounting or credit departments is functioning 100 per cent. until he realizes his responsibility of co-ordination.

### Credits and Sales

It is not implied that a Sales Department does not require restraint, like other departments. It often needs a governor, to retard or accelerate its speed and keep it on the proper path to profit. In many concerns, there has been almost an enmity between the Credit and Sales Departments; and often this is traceable to the general executives of the concern, who lay too much stress on the work of an individual department, without considering its relation to others. Many general executives keep urging their sales organizations to greater effort, to greater sales volume, and criticize them if it is not attained, but they do not always realize that this must be done with due regard to losses and other factors that are important to the business.

Then they go after the Credit Department. Often without explaining the important relations of credits to sales, or pointing out that too tight a credit policy may definitely interfere with sales, they simply stress the point that the bad account losses are too high and must be reduced almost to the vanishing point.

What is the result? Those in the Sales Department feel if they are to retain their standing in the organization they must get sales volume regardless. The Credit Manager realizes if he is to maintain his prestige and standing, he must forever and continuously reduce bad account losses. The two conditions cannot be



reconciled and the act of the executive himself, drives his principal departments farther and farther apart and his business profits suffer accordingly.

Too many salesmen are of the opinion,—or at least they seem to be, from the way they argue,—that any and every customer from whom an order has been taken, is a good credit risk for several times the amount of the order. On the other hand, there are Credit Managers who will not extend credit accommodation unless the customer can show substantial assets, thus overlooking entirely the many factors such as moral status, location, kind and class of trade, competition, experience, that have a bearing on the credit risk.

### Co-ordination Needed

There is usually not sufficient consultation and exchange of information between the two departments. There are instances where the Credit Manager writes the customer on an overdue account and the Sales Department insists he should not have done it, but should have written the salesman. On the other hand, if the Credit Manager writes the salesman it will be argued that he should have written the customer.

When an account reaches a point where other than ordinary requests for payment seems necessary, it is a good general practice that, before any letters are written, the statement of account be attached to a blank form, filled out with facts and experience relative to the account and sent to the Sales Department, for recommendations. This brings about an immediate consultation as to best methods of procedure and forces the Sales Department to go on record with definite recommendations and in many cases valuable suggestions and advice are the result. This does not mean that the Credit Department is not competent to handle the case, but it is another method of follow-up on the central thought of co-operation and equitable sharing of opinions and responsibility.

There are other ways in which the Credit Department can be a valuable and real asset to Sales:

Courteous and carefully worded letters should be sent to tardy or delinquent customers—remembering the customer has time and perhaps inclination to read such letters more than once.

In spite of previous friendliness of a

customer for the house or the salesman, an ill advised dunning letter will often disrupt relations that have been years in building up. The Credit Department should never be guilty of writing such letters.

It should be remembered that when a customer is not habitually slow, there may be extenuating circumstances for occasional tardiness. If this is brought to attention of the salesman in the



The Loose-Wiles Credit Department is in touch with Advertising as well as Sales.

proper spirit and manner, he can often get the money and save the good will and customer.

When the two important departments are properly co-ordinating and functioning,—when they know and understand each other's responsibilities and problems, the Credit Department will be a material asset to Sales. Many burdens will then be lifted from the shoulders of the already heavily loaded Credit Manager; his big job will become easier to handle, he will have more leisure time for his family and for recreation and be able to render greater support to his local and National Associations.

### A Letter of Credit Over 100 Years Old

MR. FRANCIS ROGERS of New York has kindly shown the CREDIT MONTHLY a letter of credit which two Bostonians made use of in January, 1826. It was prepared by a Marseilles banking house and addressed to one in Nice. Few traveling Americans today carry with them documents showing the unlimited confidence reposed in them that is indicated by the letter used by Messrs. Blake and Rogers. The letter and translation follow:

Marseille le 3 Janvier 1826  
Messrs. Avignon l'aîné & fils  
Nice

Nous avons l'honneur d'introduire auprès de vous nos respectables amis, Messieurs Samuel P. Blake, Henry B. Rogers, de Boston qui se proposent de visiter votre Ville.

Nous réclamons en leur faveur vos bons Offices, vous les recommandant d'une manière particulière et vous serons très reconnaissants de tout ce que vous voudrez bien faire pour contribuer à l'agrément et à l'utilité de leur Voyage—Vous priant aussi de leur rendre tous les services qui dépendront de vous.

Veillez compter à l'un ou à l'autre de ces amis l'argent dont ils auront besoin pour leur frais de route ou autre dépense et prendre en remboursement leur traites sur Messrs. Welles & Co. de Paris, qui seront dûment honorés à présentation et que nous garantirons. Vous avez ci-après leur signatures pour votre gouverne.

En semblable ou toute autre occasion, disposez sans réserve de vos très humbles serviteurs,

FITCH FURIS & C<sup>ie</sup>.

Signature de Mr. S. P. Blake

Sam P. Blake

id. de Mr. H. B. Rogers

Henry B. Rogers

Marseilles  
January 3, 1826

Avignon & Son  
Nice

We have the honor to introduce to you our honored friends, Messrs. Samuel P. Blake and Henry B. Rogers, of Boston who are planning to visit your city.

We ask your good offices for them, and recommend them especially to you. We shall be very grateful to you for all you may do to make their trip a pleasant and useful one, requesting you also to render them those services which your house provides.

Please pay to either of these friends the money they may need for their traveling expenses or other expenses and accept as reimbursement their drafts on Welles & Co. of Paris, which will be duly honored on presentation and which we will guarantee. You have, below, their signatures for your guidance.

In a similar or in any other instance, unreservedly call upon your very humble servants,

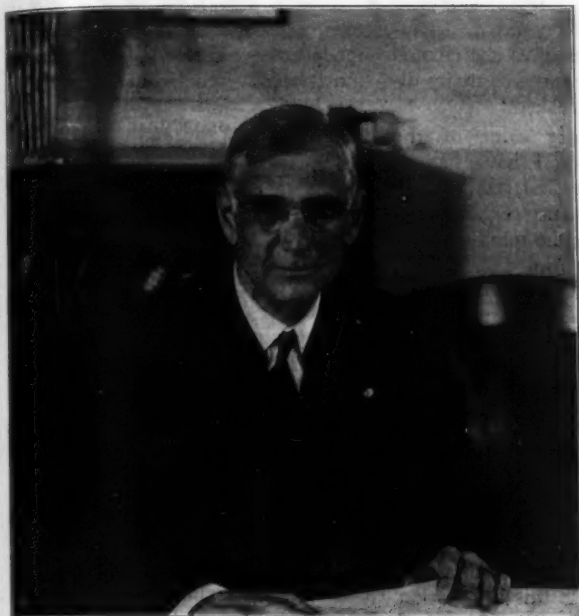
FITCH FURIS & Co.

Signature of Mr. S. P. Blake

S. P. Blake

Ditto of Mr. H. B. Rogers

Henry B. Rogers



# Agricultural Credit

An Interview by  
Chester H. McCall with

**Arthur M. Hyde**

Secretary, U. S. Department of Agriculture

**T**HE art of economic success lies in foreseeing and understanding the major trends of business developments, in grasping the opportunities presented or restricting one's activities to the limitations imposed by conditions.

A general store merchant in one of Oregon's important agricultural and cattle sections was an artist in shaping his business policies to conform with the agricultural conditions of his section. In a large book he kept a listing of every farm within a fifty mile radius. Under each listing was a description of the farm, its acreage, the number of agricultural implements, the nature of every building from house to barn, sheds and chicken-coops, the approximate mileage of fence, irrigation conditions and facilities, number and kinds of livestock, the extent to which the farm was modernized, and the character and general activities of the farmer and his family.

Each year he made it a point to find out how many acres were under cultivation on each farm, the kind of crops planted, the anticipated yield from the orchard, the number of hogs and bees being fattened for market or home use and any new machinery or additions that were made to the farm. Twice each year he made a trip to the county seat to study county and state agricultural conditions. Then he returned to his store and made money.

If times were good he made more money than the other merchants; if

times were bad he didn't lose money. He was always in a position to say, "Mr. Smith, I'm willing to give you six months on this order if you'll plant that forty under the hill to wheat," or "Mr. Jones, since you're not marketing any hogs this fall and you have half as many cattle as you had last year it is not the right time to spend \$1,000 on fencing. Why don't you buy up some cheap hogs and fatten them for the fall market?"

This merchant always contends that when the farm outlook is good, his business is going to be good and when farmers show the intelligence to plant according to demand their credit is good. And he believes that to be a good merchant in a farming community a man must be a good farmer.

## Credits and the Farm

It is just as true that a good business and credit executive needs to be a good farmer. The prosperity of industries directly dependent upon agriculture is seriously affected by agricultural depressions. Excellent regional agricultural prospects indicate business advance and stability in that region.

Agriculture is a major factor in credit reinforcement. It is an economic fact that sound and progressive agricultural conditions contribute, more than any other influence, to our national purchasing power. And purchasing power means paying power. When crops fail, local merchants either fail or if they remain in

business, are unable to pay their bills. When the bottom drops out of grain prices the purchasing reservoirs of the grain-growing regions are drained.

There is not a single ebb or flow in agricultural conditions that does not in some way affect credit. The credit executive of a business related to farming should have a grasp of agricultural economics, production, merchandising, marketing, research and legislation. It would be ideal if he could spend some time in the United States Department of Agriculture, talking with the Secretary and his specialists, getting answers to those questions that will enable him to formulate most effectively credit policies and decisions as they may be affected by any phase of agriculture.

But it would require at least ten years of the Secretary's time, and that of his staff, in continuous conference to interview all the credit executives who could profit by such contact. Of course, this would be utterly impossible, but the magnitude of such a task indicates in a striking manner the necessity for disseminating agricultural facts and information in such a way that they will be of the most value to the credit executive.

The new Secretary of Agriculture in President Hoover's cabinet, Arthur M. Hyde, is ideally fitted to interpret the relationships between agriculture and business, his wide and varied experiences having included services as a farmer, lawyer, business

man, insurance company president, and State governor.

He grew up in a prosperous farming community, took his Bachelor of Arts degree at the University of Michigan, and one year later received the degree of Bachelor of Laws from the University of Iowa and was admitted to the bar at the age of twenty-three.

He early acquired a taste for business, and having been reared "next door to farming," as he puts it, his first investment was in a farm. He purchased two hundred acres for \$6,400, paying \$400 down. He looked upon his farm as a "savings bank," and operated it under a co-operative arrangement with the tenant. Later this farm was sold, but his affiliation with the business side of agriculture continued when Mrs. Hyde came into possession of four farms in Grundy County, Missouri. Personal management of the 710 acres of the four farms and actual contact with their practical operating problems have given Mr. Hyde a wide knowledge of farming and its perplexities, strengthened his sympathy for the farmer, and made him keenly appreciative of the seriousness of the agricultural situation. At the present time he is directing his managerial talents to converting these farms from grain growing to dairying.

As a young lawyer and business man he early saw opportunities in the automobile industry. He became a district distributor for a well known car and developed a highly successful business in which he still retains an interest.

As Governor of Missouri his agricultural program emphasized co-operative marketing. Establishing a road improvement program, he appointed a road commission which is still functioning in carrying to completion one of the biggest road improvement programs in any State.

"Do you feel that your varied interests and activities have contributed to your ability to handle so many diverse problems?" I asked.

"When I consider some of the duties and activities I have had at various times," the Secretary said, with his characteristic genial smile, "I always think of the quail-dog. A good quail-dog, you know, sticks to quail. You take him along on a hunting trip and a luring jack-rabbit will not even tempt him away. His nose is pointed *for quail*. But take a spoiled quail-dog along and he will dart off after a jack-rabbit or will tree a squirrel. Essentially my training has been in law, but like a spoiled quail-dog, I have seen a jack-rabbit problem in agriculture, business or politics and gone chasing off after it. I can't say that I deprecate this tendency. I merely use this illustration to show why as a lawyer I have had both extensive and intensive interests in business and agriculture."

### ***Agricultural Economics***

"What is there of particular import in the functions and organization of the Department of Agriculture that the business man should know in order to understand thoroughly the economic forces in agriculture that affect business most directly?" I questioned.

"The Department of Agriculture is that executive branch of the government created to foster and promote agriculture and certain related activities and industries. Its work touches every phase of agricultural interest and endeavor.

"Every bureau of the department vitally affects business in one way or another, but the Bureau of Agricultural Economics probably offers material of the most interest to the business man. When you consider that books of 500 pages each are written as introductions to agricul-

tural economics you can realize how inadequately such a broad subject must be covered in an interview of this kind.

"One of the old methods of telling which way the wind blows is to moisten a finger in the mouth and then expose it to the breeze—the side of the finger that becomes dry and cool indicates from which direction the wind is coming. This determined, the hunter, camper or traveler can proceed with whatever he intends to do. About all we can do is to moisten the finger and ascertain *indications and directions*.

"The Bureau of Agricultural Economics studies the economics of farm organizations, land utilization, land values, agricultural prices, production and marketing, agricultural co-operation, farm financial relations, rural credit, land economics, the problems of rural life, and other economic problems in agriculture."

"What are the important elements of agricultural finance and rural credit?" was the next question.

"Agricultural and farm credit must be considered from several viewpoints. There are the direct credit transactions represented by money borrowed to purchase farms and materials necessary for farm production and maintenance. Indirectly the agricultural situation influences the credit stability of consumers, retailers, wholesalers and banks.

"The farmer's credit requirements might be classified under the divisions of long term credit, intermediate credit and short term credit. When the farmer buys land, erects buildings, makes investments in machinery, fences and livestock either long term or intermediate credit facilities are needed.

"For the purchases of hardware, fertilizers, and food supplies; for the payment of taxes, insurance, and repairs, for the marketing of products,

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### ***A NEW AND MIGHTY FRIEND OF THE FARMER***

*The newly created Federal Farm Board, of which Secretary Hyde is an ex-officio member, and Alexander Legge of Chicago is chairman, held its first meeting on July 15 at Washington. As President Hoover observed in his address to the meeting, "the Board is invested with responsibility, authority and resources such as have never before been conferred by our government in assistance to any industry."*



# Putting Four-Wheel Brakes

on the

## Ship of State

By Theodore Christianson

Governor of Minnesota



If you will pardon me for mixing my figures of speech, I will take for my subject, "Putting Four-Wheel Brakes on the Ship of State."

The increase in the cost of government has been one of the most disturbing developments of the last two decades. In 1890 the total taxes paid by the American people amounted to \$875,000,000. Thirty-six years later, in 1926, (the last year for which I have complete figures), they amounted to \$8,675,000,000—a ten-fold increase. In 1890 taxes took seven per cent. of the income of the American people, in 1926 they took twelve and one-half per cent. In 1926, the tax bill was \$72 per capita, including men, women, children and even babies in their mothers' arms; it amounted to \$196 for every person gainfully employed in this country.

First they collected the money in the form of taxation to the limit. Then they proceeded to borrow, and as a result the indebtedness of the States and their municipal subdivisions on January 1, 1913, amounted to \$3,300,000,000. On June 1, 1927, it amounted to \$11,700,000,000. The debt of the States and the local units had more than quadrupled in fourteen years.

The federal government has been paying off its debt of eight or nine billion dollars since the war; but in the meantime the States and their municipal subdivisions have been increasing their indebtedness, so that the total indebtedness of the American people, despite the reduction in federal indebtedness, has been increasing rather than decreasing. The

total bonded indebtedness of the United States and its constituent States and the various local units of government at the present time has reached the staggering sum of \$30,000,000,000, which is twenty per cent. of the taxable valuation of all of the non-exempt real estate in the United States.

Let us say you have a home worth \$10,000. As a result of years of labor and saving, you have paid off whatever mortgages there may have been on that home. So far as the records of your county or your city are concerned, there is no incumbrance recorded against it. You and your family are satisfied in the consciousness that you have an absolute and indefensible title in that home. I am going to startle you by giving you some information which may not have come to you before, and give you a thought which perhaps has not disturbed you up to this time.

### Your Home Encumbered?

Despite the fact that there is no recorded encumbrance against that \$10,000 home, nevertheless if you live in a town or a school district or county or state which bears its proportionate share of the total bonded indebtedness of the American people, there is an unrecorded lien against that home amounting to twenty per cent. of its value, or \$2,000.

Governments tax and then they issue bonds. Adding the tax bill to the proceeds of bond issues, we find that in 1926 the total expenditures of governments during that year were \$11,000,000,000. Of course,

none of us, not even credit managers, who are accustomed to dealing with figures, have any idea of what eleven billions is. It staggers the imagination.

Suppose that at the beginning of the Christian era, 1929 years ago, somebody began to accumulate money and he accumulated it at the rate of \$10 every minute, keeping that up for sixty minutes every hour, twenty-four hours every day, 365 days every year, and continued that process of accumulation during the 1929 years that have elapsed since that time—the total accumulation would be barely sufficient to cover the expenditures of the various units of government in the United States last year.

Since 1919 the federal government has been reducing its taxes—by about \$2,000,000,000 a year. But this is not all due to economies. In the first place, the operations of war have ceased. Then, we have converted billions of dollars' worth of war material into cash, which we have used to reduce the amount of the federal budget chargeable to the taxpayer. They have instituted economies at Washington. But the disturbing thought is that while the federal government has reduced its tax burden \$2,000,000,000 a year, the States and their municipal subdivisions have increased theirs, so the burden of taxation upon the American people at the present time is about what it was in 1919 when we had reached the crest of war expenditures.

There are several reasons for this. The dollar doesn't buy as much as it did, but the increase in the tax bur-

den has been much greater than the decrease in the value of the dollar.

I assume that the reason the taxes imposed by States and municipal subdivisions have been increasing is largely that in our organized capacity we have shown the same tendencies toward extravagance that we have in our individual capacities. A nation which wants to buy everything for personal comfort and satisfaction can also be suspected of having the desire and the inclination to buy everything, whether it can afford it or not, for official and governmental use. We have perhaps been erecting public buildings faster than we can pay for them. We have been investing money in making a great many so-called public improvements, and in so far as these improvements are needed, there can be no legitimate criticism directed against them.

### *Too Much Government*

A third reason for the increase in the cost of government is our disposition to demand too much government. You know, Thomas Jefferson said that government governs best which governs least, and I think we have got pretty far away from the political philosophy of the great Jefferson. Undoubtedly we require more government than our fathers and our grandfathers did, because society is more complex than it used to be. But I am firmly convinced that the amount of government with its intricacies and expenses has increased much faster than the need for the expansion of governmental activities. We have become *the most governed people in the world*. We have enacted a great number of laws, and every one of those laws requires money for its enforcement—and I am not hinting at the Eighteenth Amendment because I am a supporter of the Eighteenth Amendment.

I am opposed to this system of bureaucracy which has converted our sovereign States into purely administrative departments of the federal government and which is making the States, instead of self-governing, self-supporting and self-respecting entities, merely creatures of a great octopus at Washington that seeks to govern us by means of government agents and regulators.

We now have no less than 2,700,000 people upon the public payrolls

as federal, state and local officials and employees! In addition to those we have 700,000 pensioners, most of them worn out politicians without jobs. In other words, we have a total of 3,400,000 people in this country who are supported in whole or in part by the taxpayers. Every twelve of us engaged in gainful occupations are carrying one upon our backs. Every one of us works at least one hour out of every eight in order to support the bureaucrats, or forty days out of 360 days of the year.

To maintain that vast army, which is almost as great as that which we mobilized for service in the World War, it is costing us about half the total taxes that we paid in this country, or about \$3,700,000,000 a year. And the end is not yet, because every time the legislature meets in this State and every other State it passes 400 or 500 new laws, all of them calling for increased personnel in government. I say we pass laws. We have so many laws that if the best lawyer in the state of Minnesota had to know one-tenth of all the laws to which he is subject in order to keep out of trouble he would be in jail all the time.

### *Brakes*

What are we going to do about it? There are several brakes we can apply. In the first place, the *budget system* is a brake. We have established one in Washington, and the states one by one are putting business into government by the establishment of budget systems. The governor is wholly incapable of dealing with this task unless power is placed in his hands to cope effectively with it; because his power is generally confined to a veto of specific appropriation items after the legislature has adjourned. He can't reduce them. He can strike them out, but not without completely suspending a State activity. He must either stop the wheels of government or permit extravagance to continue. The power of the governor between legislative sessions is generally confined to acting as an umpire between rival candidates for political jobs, and usually he gets the umpire's traditional due.

Legislators generally are unable to deal satisfactorily with the situation, because it is impossible during the course of a 60- or 90-day average session of a legislature to determine with any degree of accuracy the

needs of multitudinous State departments where the expenditures amount to many millions of dollars. There should be a continual process in government, independent of those who want public money to spend, to make a continuing survey of functions and activities of government from the standpoint of the taxpayers in order that the legislature may have impartial information upon which to act when it assembles. That is the budget system.

In Minnesota we have a budget system, but we have gone one step further, because we feel that it is necessary not only to furnish the legislative body information upon which to act intelligently but to have some agency that will compel the administrative heads of governmental units to use that money sparingly and with due regard to the interests of the taxpayers after it has been appropriated.

### *The Minnesota Systems*

In this State a string is placed upon every appropriation of public money. After the money has been voted by the legislature, we say to the department heads, "You cannot use a cent of this money until approval for its expenditure has been given by the Budget Board." Every three months the head of a department must file a statement showing how much money he desires to spend during the ensuing quarter, what he wants to spend it for, and unless approval is given by the Budget Board to that expenditure he can't touch one cent of his appropriation. That is the system by which we are controlling the expenditure of public money in Minnesota. One of the ways in which this tide of increasing taxation can be stemmed is to place in the hands of competent governmental officials responsible to the people the *power to compel economy*.

Then there is a second step that needs to be taken. We must resolutely determine not to permit an increase of public indebtedness, but to compel the discharge of indebtedness that has already been created. Did you know that one dollar out of every eight expended in the United States today is used for interest and sinking funds to carry indebtedness that has been created in the past? The issuing of bonds is a most expensive way to make a public expenditure, and it is not justified except for improvements that are permanent.



Drawn by John Gibson Bliss.

# Diamonds or Pebbles

## Which Shall Uncle Sam Choose for Citizens?

By James J. Davis

Secretary, U. S. Department of Labor

A STORY is told of an Irish immigrant who arrived in the United States with the conviction that the country was so fabulously wealthy that he could walk along the street and pick up money. He landed in New York and had gone about a dozen steps from the pier when the silvery glint of a half-dollar caught his eye.

He picked up the coin from the sidewalk, balanced it on his finger, glanced about him then appraised the silver piece rather critically. "Huh," he said, tossing the half dollar over his shoulder with a carefree gesture, "I'll wait until they get a little thicker."

The Irishman's basic idea of this country's wealth was right, but his interpretation was wrong. The same thing is true of most people's attitude concerning immigration. They believe in restricted immigration, but the fundamental principles underlying the wise immigration policy are often misinterpreted.

When it is realized that over thirty-six million people in this country are foreign-born or of foreign or mixed parentage, the paramount importance of understanding the status and principles of immigration is brought home to the business man.

To a great extent the kind of people who will inhabit this country in the future depends upon the character of immigrants admitted today. As business builds for the future it must build in conformity with sound policies regarding the alien who comes to our shores and must be assimilated.

The history of immigration in America is characterized by three epochs:

(1) The first epoch was the asylum period. America was a free land for the oppressed and persecuted of all countries and peoples.

(2) The idea that this country was merely a refuge from all ills was gradually replaced by the economic idea symbolizing the second epoch. In the years preceding the Civil War there was a growing feeling in this country that the incursions of cheap foreign labor were threatening the economic balance of our people. The economic aspects of immigration increased in importance to such an extent that a complete survey and investigation of the entire question were made, under President Roosevelt. The study disclosed that too great an influx of aliens endangered the standards of living, placed an unfair burden on American labor and presented serious difficulties from the standpoint of assimilation.

(3) The third epoch has been characterized by a biological attitude that is fundamental to our future immigration policy, based upon direct investigations of the alien through our institutions for the socially unfit. The

survey proved beyond a doubt that high selective standards in immigration were imperative and that a rigid administration of such standards would lighten society's burdens resulting from weak blood, poor human quality and inferior types.

This country's shores have been the dumping grounds for the physically and mentally unfit from other nations. There is only one class distinction that a free people should recognize, that is, good and bad stock, weak and strong blood. Immigration policies should exclude the weak and encourage the strong through principles of selective immigration.

To illustrate the results of weak blood propagation we may consider the case of an American soldier during the Revolutionary War who had a son by a feeble-minded girl. From this son, 480 individuals have descended in direct line. Of these, 140 were feeble-minded, 36 illegitimate, 24 confirmed drunkards, three outright criminals, three epileptics, 33 notably immoral, eight kept notorious houses, 82 died in infancy and only 48 were known to have been normal.

The same soldier after the war married a sound and normal woman. The descendants of this union have also been traced and classified. Out



of 496 descendants only two have been known to be drunkards, one notably immoral, and none feeble-minded, criminal or insane. Men of high accomplishment—lawyers, doctors, judges, educators, writers and traders — characterize this whole family.

In spite of the general belief, *all men are not created equal*. One branch of this family was weak, the other strong, one socially dangerous and a social burden, the other socially helpful and a national asset. Our immigration policy must be based upon the fact that all men are not created equal and that, at the portals of our country, we must discriminate against unfit strains that may do harm to the blood of the Nation.

Selective immigration means that immigrants should be selected as to the moral, physical, mental and industrial qualifications and fitted into the moral, economic and social needs of our country.

At the close of the World War this country faced a flood of immigrants seeking to escape the frightful conditions of war-torn Europe and the Near East. Congress, as a protective measure, passed a law limiting the immigrants from any foreign country to three per cent. of the foreign born persons of each nationality resident in the United States in 1910. This checked the flood until a policy could be framed under which only the best applying for admission would be allowed to enter.

The immigration act of 1924, under which immigration is now limited, provides that each nationality shall have a percentage ratio based upon two per cent. of persons of foreign nativity in the United States according to the census of 1890. Under this law the number of "quota" immigrants has been restricted to 164,667 annually.

This numerical restriction, of course, does not answer the question alone. There must be a standard upon which the immigrants accepted are selected.

Selective immigration begins before the immigrant leaves his own country. Quota numbers are assigned by American consuls abroad and the immigrant arriving is virtually assured that he will not be debarred because of numerical limitation.

Immigrants at the time of application are required to file with the American consul a verified report

showing physical, mental and moral history, and the consul is required to determine, as nearly as possible, if there are any other elements that might affect admissibility to the

### Immigrant Retailers

**SECRETARY DAVIS** here describes for the credit fraternity our immigration policy. Credit managers are specially concerned with the qualities of the immigrant, because in so many instances the debtor merchant is a recent arrival in America.

In an early issue of the *Credit Monthly* will appear an interview with the Secretary by Chester H. McCall, in which Mr. Davis contrasts the white collar worker with the industrial worker, and tells of the Department's little known and highly efficient Conciliation Service.

United States. Although proper examinations are given abroad the United States still retains the right to examine and reject immigrants upon arrival.

### Good Citizen—Good Risk

It might be said that the immigrant who will make a good credit risk will make a good citizen. It is true that as far as character and capacity are concerned the judgment as to an immigrant's admissibility is based upon virtually the same criteria that determine a good credit risk.

Suppose that instead of applying for admission to America through the regular procedure the immigrant applied for credit on the basis of the record made in his own country. A credit investigation would bring out the salient points of his character, how long he had been employed, if he had saved money, if he had ever been arrested, if all obligations had been promptly and faithfully met and if his personal and family life were above reproach. Acceptable references would also be required. If an able credit executive passed the man as a good credit risk it would be safe to say that he was an immigrant who would make a desirable citizen.

The basic factor of business is after all the people of the country; and the very fact that immigration policies are based upon sound principles that lead to the selection of immigrants that the business man would choose as first class customers emphasizes the necessity of a thorough understanding of immigration by the business man.

The procedure just described might be reversed. Whenever application is made for credit the question might be asked, "If this applicant were an alien applying for admission to the United States would his record be sufficiently satisfactory to allow his admittance, provided there was no conflict with numerical limitation?"

If the credit executive were convinced that the applicant would fulfill all immigration requirements as to character, moral history and economic requisites, the applicant would certainly be a good credit risk.

There is no doubt that this procedure would re-inforce credit judgment and repose its strength on a mountain of principles that are not local or national but which are universal in their fundamental soundness and importance.

The business man knows that if business is to continue its advance the intellectual stamina of the people must be preserved. An inflow of weak blood streams will undermine our racial strength. Selective immigration will purify the national stream of life and minimize the pollution of hereditary poisoning.

Economic pressure has been brought to bear upon the immigration situation. Upon only one condition should employers import labor. They should establish the fact that such labor, unemployed, cannot be found in the United States. Another fundamental purpose of selective immigration then is to prevent the entrance of those who by reason of lower economic standards of living would reduce the standard of living of the American wage earner.

Only those immigrants should be admitted whose mental capacity is equal to the opportunities of this country and the solid work and real effort required of our citizenship. The better the type of immigrant the more valuable will be his assimilation.

### Capable of Education

The alien who has the caliber of mind that will respond to the best things in America is the one most readily welcomed by our people. But this type of alien generally has a higher degree of loyalty for his native land and will find it more difficult to break old ties and assume a new citizenship. Yet how much better it is for us to take the responsibility

(Continued on page 36)

# Risk in Credit

An Interview by  
Chester H. McCall with

## Thomas I. Parkinson

President of The Equitable Life  
Assurance Society of the United States

**R**UNNING through the fabric of every business organization is the red thread of risk. All business is essentially risk taking. Capital invested is exposed to hazard—profits are an uncertainty. Executive and administrative efficiency largely consist of the ability to perceive and analyze the various risks to which a business is subject and to devise means of avoiding or preventing the risks, or mitigating their consequences.

There are certain risks, however, over which business ability and skill have no control, certain contingent dangers for which management cannot be held responsible. Business life insurance has been evolved and designed as a protection and reinforcement against these risks and dangers.

The development of business life insurance has also promoted the study and analysis of the risks it has been intended to meet, and has led to many measures for the reduction and mitigation of the hazards involved.

Every business has two classes of assets—capital assets and human assets. A primary principle of every organization should be to protect its human assets; yet, strange as it may seem, in some cases this is often the last consideration given by otherwise progressive companies.

Charles M. Schwab, when asked what he would do if his steel properties were destroyed by fire answered, "I would not figure these as an irretrievable loss, for they could all be replaced, but if some catastrophe destroyed at once the entire personnel of our organization, I would then consider myself a ruined man."

This illustrates the attitude of many of our business leaders today. Since the human assets of an organization are even more important than the physical property, there is more necessity for having insurance on the lives of the men responsible for

the success of the business than on the buildings and other property.

Far-sighted business men now recognize the fact that death, which must occur *some* time and may occur at *any* time, should be guarded against at *all* times.

The credit executive, before approving credit accommodations for a debtor concern, learns all he can about the nature of the risk—past paying habits, the character of the

men behind the business and the financial condition of the business as pictured by the financial statement.

Life insurance, including policies taken for personal protection as well as those intended for the benefit of the business, offers one of the best indexes and measuring sticks available to the credit executive in analyzing the credit capacity of a customer.

A life insurance policy is as val-



uable in many cases as a financial statement in giving a true estimate of the essentials requisite to a good credit risk.

How can life insurance be analyzed from the credit executive's viewpoint in order to disclose the elements of a good or a bad credit risk?

The fact that a concern owns business life insurance is at once an indication of several important factors. Loans may usually be obtained on life insurance policies in cases of financial stringency. Business insurance not only protects an organization against the loss of a key man, thus strengthening the credit structure, but it also releases capital for extensions and improvements and in the meantime it creates a steadily increas-

ing fund from which to draw if an emergency should arise. Business insurance is often vital in cases where different members of a concern are the indorsers of its notes. It may be so adapted that in the event of death, it will protect not only their estates, but also the business.

The credit executive looks upon a debtor concern with far greater confidence if insurance is owned on the important executives in an amount large enough, in case any of them should die, to carry the concern with unimpaired credit through the necessary period of adjustment.

In the case of partnerships, insurance is now looked upon as a necessity. It protects the interests both of the deceased partner's estate and of

the surviving partner. It must be remembered that the dissolution of partnership almost invariably follows the death of any member of the firm. The surviving partner or partners may not have sufficient funds to liquidate the interest of the deceased partner and to continue the business. Adequate life insurance is a provision against this contingency. The modern credit executive therefore recommends business life insurance as one of the essentials of a good partnership credit risk.

### *The Right Protection?*

From these general considerations of the appraisal of life insurance as a credit measuring rod, let us consider the specific questions the credit executive should ask in analyzing life insurance from the credit angle.

Does the insurance owned by a company cover the necessary elements of risk?

First, does it seem that the amount of protection has been reckoned with a fair degree of accuracy? Has the amount been calculated separately for every need instead of being determined in one bulk estimate that usually results in inadequate insuring? Does the good will of the concern seem properly covered? No asset is more likely to melt away more rapidly than the good will upon the death of one of the more members of the firm. This financial bulwark of good will should therefore be adequately reinforced. When a study of the balance sheets, statements of condition, and earning reports will indicate the right amount of protection required. It would be difficult to give an exact rating of how much insurance should be maintained in proportion to the capital earnings of a business; but from the credit executive's consideration of the ratio of assets to liabilities he can devise a standard by which to judge the right amount of protection required.

The second consideration of protection is as to the form of policy owned by the concern. There are several different forms of policy that may be used in business insurance, such as term, whole or ordinary life, limited payment life, and endowment. When the credit executive learns which business insurance policy form is owned, he should be able to judge immediately whether or not this form is most adaptable to the needs of the business. *Limited payment life*, for example, is paid for by business



*The New Equitable Life Building, New York*

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*A frontier of 4,000 miles unfortified for more than a century.*

# The World's Best Neighbors

## Canada and U. S. are One Another's Best Customers

*By Dr. Frederick W. Kerr*

University of Manitoba, Winnipeg

SOMETIMES we Canadians pick out some loud and conspicuous and objectionable type of American and think he is typical. Has he picked out some tame and inoffensive Canadian without pep or anything deterring and think he is a typical Canadian. After all, I think the greatest thing we have to learn is to outlive the prejudices and cast over our fellow men the mantle of our charity. There is an old Oriental saying of one which says, "Why should little mortals fight one another, for we shall all sleep together in the dust."

Wherever I go, throughout Canada, I try to help the Canadian people to know that there is a great wealth of fine character in the friendliest, most cordial group of people on earth down here in the United States.

You know we have a sort of obsession that Americans are boastful. There is a story about an Englishman on a transatlantic liner who turned to a fellow traveler, a Californian, and asked, very seriously, "Did I understand you to say that there are 365 days of sunshine every year out there in California?"

The American answered, "Yes, you did, and let me tell you that is a mighty conservative estimate."

After all, there are no neighbors on earth who are so close together and who have such a respect for one another as Canada and the United States. At the same time we all know that there are mischievous elements at large striving to stir up

alienations between these two branches of the English-speaking race. I can explain it better by referring to Bill What's-his-name in Chicago. He is the symptom of an ancient grudge, and he is backed by great syndicates of newspapers and magazines whose favorite pastime is to throw spit-balls at John Bull. The thing has never been so serious as it is at the present moment.

There are obvious things that might cause trouble, but, as between Canada and the United States, there is a process going on of much more profound significance. From the Canadian point of view, there is going on a process of steady, peaceful annexation. It has a commercial point of view, a commercial aspect, and a cultural aspect.

### Untapped Natural Resources

From a commercial point of view we know that American capital is turning eager eyes toward the untapped natural resources of Canada. You know all about our mines, about our fisheries, about our coal and our water power. You are dependent upon Quebec for your asbestos. You know that Canada is the only country on earth with an increasing gold output and that it is now second in gold production and may soon be first. You are more and more dependent upon the forests of the Northland for your wood pulp, and with your unsatisfactory agricultural conditions and vastly increasing population, you will soon look to Canada for the replenishing of your stockyards and your elevators. The best

customer that the United States now has is Canada. You are draining us of our raw materials and we in turn are turning away more and more from Great Britain and are buying back from you the finished products, so much so that there was an unfavorable trade balance last year against Canada of \$427,000,000.

From a cultural point of view, Canada's greatest handicap is her proximity to the United States. We are being overwhelmed and overshadowed by the vitality and aggressiveness of American civilization. We have adopted your accent. We ride almost exclusively in American cars propelled by American gasoline. We read American newspapers, and our news-stands are weighted down with your magazines. We send across the line every year \$6,000,000 for American periodicals and there is just a little dribble of \$40,000 going across for British periodicals. We turn on our radios at night and they start out with the Star Spangled Banner and then continue with jazz.

When we go into our moving picture houses we find that ninety-eight per cent. of the films are American-made, promoting American ideals and American patriotism. Our school girls know all about the marriages, divorces and environments of your moving picture actresses, and to our school boys the name of Abe Lincoln, Woodrow Wilson and George Washington are more familiar than the names of MacKenzie and Joseph Howe, our own Canadian statesmen.

From a cultural point of view, you have made it almost impossible for us

to have a soul of our own, and a national culture is a national soul. But when we come to the political situation, there is a different story to tell.

In some ways we can be thankful for that old War of 1812 because it was a half-hearted affair from beginning to end and it proved to us that you cannot whip up any enthusiasm for war between the British and American people. Since the Treaty of Ghent was signed in 1814, there has been slowly twining about the hearts of Americans on the one hand and the hearts of Canadians on the other, a deep, unseen fellowship and a sentiment which regards any thought of war between these two as something unnatural and abhorrent. And let me say, that that unguarded boundary line of ours for the last hundred years has been a peaceful flame casting its radiance down the centuries that lie ahead and pointing the path for all the nations of the world to take—and they have been taking it.

### *Canada and the Empire*

I should like every American to understand Canada's position within the British Empire. When the Great War broke out in 1914 all the outside powers fully expected that the British Empire would fall to pieces. Yet when the mother's far-off call was heard, her children came one by one and all rallied to her side; out of the wilderness of the North they tramped, and up from the islands of the seas, out from our newly conquered provinces of Africa, and from the plains of India. They stood there shoulder to shoulder, for the first time in history, and then we saw our Empire for what it was, a vast bulwark of world freedom, a mighty world empire, held together by no bonds save the golden cord of duty and loyalty to freedom.

After the war, Canada came of age; and the last fetters of colonialism were burned away from her spirit in those purging fires. She came out of the war chastened but self-conscious and realizing that her destiny was to remain a free and fully self-governing nation within the federation of free and fully self-governing nations that we call our Empire, the vastest and the freest and the happiest federation of nations that the world has ever seen.

We sometimes speak of the Imperial Government but that is a misnomer. There is no Imperial Gov-

ernment; there is no Government of the British Empire. There is a Government of Great Britain and Northern Ireland; there is a Government of the Irish Free State; there is a Government of South Africa, a Government of Canada, and so on. They are all equal in status. Canada owes no allegiance to the British Government, but along with the British Government, she owes a common allegiance to the Crown.

It is because of that new sense of nationalism that has grown up in Canada within the past few years that we now turn to do our share in international affairs. After all, assured and mature nationalism is the only basis upon which to build a confidence in internationalism, and now as Canadians we are turning our faces to the south and we are determined to cultivate the greatest intimacy between us and yourselves.

With so many things to bind us together, I want us to put out a million open hands from north of the border and I want there to be a million white, responsive hands from south of the border. Then clasping these million hands together, I want us all to give a mighty tug and draw these people so close together that what the world will see is a vast Anglo-Saxon fraternity compacted of the same ideals, burdened with the same mission, and dedicated to the peace and well being of the human race.

### *Neighbors*

**GENERAL** Manager Henry Detchon of the Canadian Credit Men's Trust Association, Ltd., addressing the N. A. C. M. Convention at Minneapolis, said that his Association, established in 1910, was an offshoot of the N. A. C. M. and that the most cordial relations have always existed between the associations.

President D. A. Whittaker of the Trust Association spoke of its own convention at Regina, where Messrs. Rock, Merrill and Phillips represented the N. A. C. M.; declared that the two organizations had "dragged credit work into the open where it properly belongs with all other kinds of worthwhile work;" and that "the Canadian credit men are striving to do their share in the up-building under these smiling northern American skies of two great and neighborly nations, both equally the home of freedom and of happy, prosperous and industrious people."

### *Credit Interchange Self-Supporting*

**T**HE annual report of the N. A. C. M. Credit Interchange Bureau Executive Committee, National Director J. D. Karel, of the Michigan Chair Company, Grand Rapids, chairman, is as follows:



J. D. KAREL

While obliged to offset the loss of an unusually large number of members, resulting from consolidations, firms discontinuing business, etc., the National Interchange Clearance System reports the closing of another fiscal year with an increase in membership.

For the first time in its history, the Central Credit Interchange Bureau has completed a year's operations on a strictly self-supporting financial basis, having been financed entirely by dues and fees contributed to its support by the bureaus constituting the National Interchange Clearance System. The local bureaus of the system have generally improved their financial position during the year.

The year has shown steady improvement in Interchange operation procedure. Greater accuracy and completeness, and a reduction in the time required to complete service to members, are the material evidence of the year's work.

A steadily increasing use of Interchange by its members can justifiably be considered, first, as recognition of the increased efficiency of the service and, secondly, as evidence of a better understanding of the value of an Interchange report as a dependable answer to the question, "Is he, or is he not, entitled to credit?"

The territory served by the National Interchange Clearance System was enlarged during the year by the affiliation of the Interchange Bureau of the Birmingham Association of Credit Men; and a still greater extension of the field of activity is presaged by the affiliation, on a six-months trial basis beginning May 1, 1929, of the interchange bureaus located at Denver, Salt Lake City and Seattle.

Too frequently a report offered by the Credit Interchange Bureau Department is presumed to be a report on the Central Credit Interchange Bureau, without proper appreciation of the all-important part played by the local Interchange Bureaus whose voluntary co-operation with one another constitutes the whole structure of the National Interchange Clearance System.

The Credit Interchange Bureau Executive Committee expresses its full appreciation of the earnest, sincere effort the personnel, management, and directorate of these bureaus have contributed to the up-building of Interchange service, and commends them to the consideration of members of the credit fraternity.

# Bankruptcy Act Has Claws

## Credit Managers Should Use Them

By Alexander McCune

Referee in Bankruptcy, Western District, Minneapolis

**W**HEN we meet each other and inquire, "How is business?", we have asked a nationwide question, because business is so intertwined and interdependent that, for instance, the price of wheat on the farm in the Dakotas is an element in the price of bread in the cities of the East, and the price of iron and steel in Pittsburgh bears largely upon the cost of building throughout the Nation.

The question—"how is business?"—involves some knowledge of the welfare of the 2,200,000 concerns doing business in the Nation, and why in 1928, 1.08 per cent., or nearly 24,000 of them, went into insolvency or bankruptcy during that year.

### Insolvencies on the Increase

When we reflect that the number of insolvencies jumped from less than 6,500 in 1919, with liabilities of about \$100,000,000, to nearly 24,000 in 1928, with liabilities of about \$520,000,000, we get a glimpse of the necessity for and importance of the National Association of Credit Men.

The statistical tables for a great many years back show that about one per cent. of the firms engaged in business in any single year go into insolvency. Of course, we hope that with better organization, better business methods, and a better educated generation of business men this number of cases may be greatly reduced. We can endure with some patience and equanimity the honest failures, but the large number of fraudulent insolvencies are the ones to give credit managers anxiety and concern. In the last four years, these have numbered more than 1,500 where indictments have been made, and have involved concealed and fraudulently transferred assets estimated to be at least \$3,000,000, of which only \$1,200,000 have been recovered.

The questions are: (1) how can these frauds be prevented or lessened; (2) how can these cleverly covered up frauds be detected, the concealed assets recovered, and the perpetrators

of the frauds be brought to trial and punished?

It seems to me that both the National Bankruptcy Act and the criminal laws in our States are so broad and comprehensive that those who carry on these fraudulent operations may be successfully prosecuted and given the penalty they justly deserve. But it is not alone by exposure and punishment that human nature can be brought to a better course of conduct. Better education in the public and commercial schools, with greater emphasis on business ethics, will develop better types of men in commercial life, and constant holding up before these men of better ways, through commercial organizations and in other ways, will build up a sense of honor and fair play which will hold them anchored to honest methods. The organized Credit Men should develop leaders who can go out among their customers and be evangelists of business integrity and righteousness among them.

### Insist on Record-Keeping

Again it seems to me that credit men do not take the advantage, as they should, of at least two of the provisions of the Bankruptcy Act. This act provides, among other things, for the denial of the discharge in bankruptcy to those who have destroyed, mutilated, falsified, concealed, or failed to keep books of account or records from which their financial condition and business transactions might be ascertained. It is a well-known fact that the great mass of men engaged in mercantile business have few financial resources and keep no books of account or records, and a great many who carry on business of considerable volume do not keep any books or records at all adequate to show their financial condition.

Is it not possible for the National Association of Credit Men to insist on such records being kept? It is a comparatively easy task with such records for a man trained to analyze a set of

books to find out just what a debtor has done in his business and the reason for his failure. If there is anything crooked or questionable in his business, his records will show just what it is and what has become of his assets.

Another provision of the Bankruptcy Act is to the effect that a bankrupt who has obtained money or property on credit or obtained an extension or renewal of credit by making or publishing, or causing to be made or published in any manner, whatsoever, a materially false statement in writing respecting his financial condition, shall be denied his discharge in bankruptcy. Here is a weapon at the hand of the credit manager.

### Careless Observation of Law

Yet my observation is that this section of the law is greatly neglected or made use of frequently in a very sloppy and unsatisfactory manner.

The average financial statement lacks elements of careful preparation and certainty, which might easily be obtained if even ordinary system was used in procuring the statement. A great many of these financial statements are written by the agent of the person asking for the statements, with *his opinion* of the properties stated rather than that of the *bankrupt*. Why should not the extender of credit insist that the bankrupt himself, or his employee, properly accredited, write out and make the statement? Why should he not also insist that the statement of the assets be taken from an inventory made at the time the statement was given; that the statement of liabilities be taken from a properly kept set of books; that the real estate be properly described and any encumbrances set forth; and that the statement be made after investigation and computation rather upon a series of guesses.

I fully realize that to make great progress along these lines in dealing with 2,200,000 business concerns will require a mighty effort on the part of



credit managers, but it seems to me that through a concerted effort of the Association, credit managers could be induced to insist that unless proper books and records are kept and a proper financial statement of the condition of the business given, that there will be no extension of credit, no shipment of merchandise.

There is another class of failures deserving mention, namely those insolvencies having to do with financial ventures, such as loan companies, investment companies, and mortgage companies.

The States are doing something to protect the great multitude of investors in these financial companies, but more needs to be done, and especially do we need a sentiment and a public opinion organized which will keep out of business, as far as possible, every one seeking to prey upon the public.

The National Association of Credit Men can accomplish far reaching results:

- 1—By insisting on better bookkeeping and record keeping on the part of the retailers.
- 2—By insisting on financial statements being drawn by the seekers of credit accommodation and being founded on facts rather than estimates and guesses.
- 3—By co-operation among the various business organizations and the organized credit managers.
- 4—By continuing to build up the interchange of credit information at the central and regional offices of the Association.
- 5—By obtaining all possible publicity in order to show up the perpetrators of fraudulent transactions and thus create a sentiment of abhorrence in the minds of the general public as well as in the minds of honest and pure traders.
- 6—By creating a demand in the minds of the general public for the prosecution of the perjurer, and of the concealor of assets, and for perpetrators of other crimes committed in connection with the abuse of credit.
- 7—By providing an educational program to be carried out by the leaders of the credit fraternity through the various trade organizations with which they have dealings, a program to promote business honesty and righteousness at all times under all conditions.

### To Complete His Set

**J.** D. PATTERSON, of the Marshall-Wells Company, Duluth, Minn., is making an effort to complete his set of back numbers of the CREDIT MONTHLY. He has now secured all missing copies, except those of August, 1920, and October, 1921. Perhaps some reader of the CREDIT MONTHLY, can supply Mr. Patterson with the copies he desires.

## Bankruptcy Act Criticized

By Charles H. Tuttle

U. S. Attorney, Southern District of New York

**T**HREE fundamental principles underlie the Bankruptcy Act; and, in my judgment, they all have failed to stand the test of experience. The first is the imposition upon the courts of the administration of bankrupt estates. The task is in its essence non-judicial, and belongs rather to the executive department. The principal questions involved are business questions for the decision of which the judges have few qualifications.

Furthermore, this burden brings upon the courts the additional responsibility of distributing patronage with the consequent entanglements with politics, personal friendships, and possible self-interests. The proper function of the courts is the decision of controversies, and whenever they step or are forced out of that function, they lose in prestige, effectiveness and public confidence. If the State of New York can efficiently liquidate an insolvent bank through its Banking Departments as a branch of the executive, there can be no good reason for thrusting upon the courts the work of salvaging the wreckage of a corner grocery store.

### Reliance on Creditors

A second fundamental principle in the Bankruptcy Act is its reliance on active participation by creditors in the liquidation of the affairs of the bankrupt estate. Such reliance is proven unjustified by experience in the average bankruptcy.

The individual creditor is usually unwilling to send good money after bad; he accepts the first compromise which is offered to him; and control drifts into the hands of some attorney expert in bankruptcy, who gathers up claims and directs the trustee. What the law intends to be a democratic administration becomes a dictatorship by one or two individuals whose personal interests are adverse to the creditors and lie in the fees and pickings. Property when divorced from the protection of active leadership speedily becomes a prey of the parasites which the law allows to fasten upon it.

A third fundamental principle of the Bankruptcy Act is separate administration for each estate. Today, except in several judicial districts,

each bankrupt estate must carry the overhead expense of a completely separate and independent management—its separate complement of receivers, trustees, appraisers, custodians and attorneys. As a result, the wastage is enormous. Ten people are hired and paid to do the work of one.

Any sensible view of the interests of the creditors and of the business community would recognize that bankruptcy is an inevitable charge upon industry as a whole; that vast economies can be effected by pooling management; and that the cost should be borne either by the state or be distributed among the estates as a whole.

The breakdown in practice of these three fundamental principles of the Bankruptcy Act have forced trade associations and credit organizations to take over increasingly the work of supervising the administration of bankrupt estates. This new and growing movement recognizes that in every bankruptcy the interest of the business community as a whole is superior to that of the particular creditors.

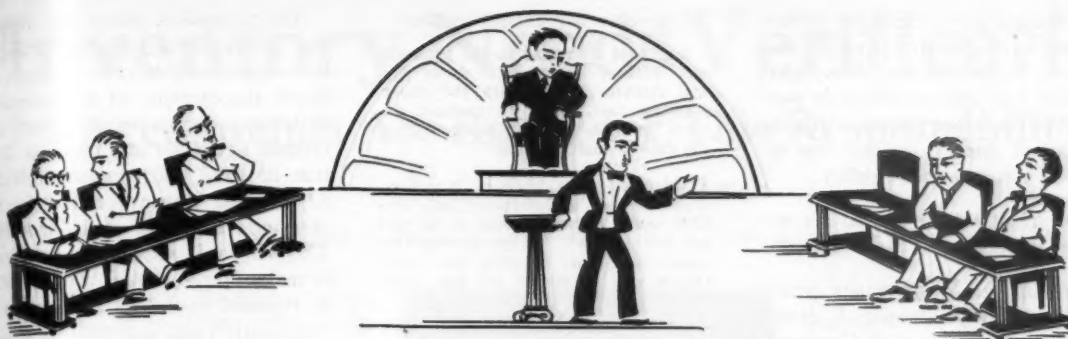
The business community as a whole, or the particular trade as a whole, has a vital interest in maintaining policies which will prevent bankruptcies, suppress fraud, enforce economy and honesty in the work of salvage, and seek reconstruction rather than dissolution; whereas individual creditors are apt to think only of the immediate pecuniary return.

### British Practice

In other words, in this country the trade associations by agreement among their members and without sanction of the law itself are gradually coming to do what in England the British Board of Trade does by sanction of the law, namely, supervise the administration of bankrupt estates. This extra legal development is sound because it recognizes the bankrupt estate as an economic and not a judicial problem, as the concern primarily of the trade as a whole and not of the individual creditors, and as part of collective rather than separate management.

The breakdown of these three fundamental principles of the Bankruptcy

(Continued on page 39)



# A Sound Credit Policy— Charging Interest on Past Due Accounts

By Harry I. Condon and F. Howard Winney

A DEBATE on the soundness of charging interest on past due accounts was staged by the National Institute of Credit at the N. A. C. M. Convention in Minneapolis. The arguments of the affirmative side, which won, are printed below. The opening speech was made by Harry I. Condon, The Bearman Fruit Co., Minneapolis.

## Need for a Rapid Return on Capital

FOR the purpose of clearly defining the affirmative issue of the proposition, "Resolved that the charging of interest on past due accounts is a sound credit policy," we, of the affirmative have divided our issue into two parts.

As the first speaker for the affirmative, I shall show you the great need for this policy and my colleague will show you its manifest practicability.

In the march of business events, we have come to a time when the hindrance of capital return works a pernicious influence on business. Where this hindrance occurs, compensation must be made to counteract the evils of slow capital return.

In the early days of credit, terms of sale were very long. The usual terms were two settlement periods a year. It was not long before business men realized that the secret of profitable business was the rapid turnover of capital. Out of this experience came the modern trade practice, the discount premium. To-day we find the terms have shrunk to 7, 14, 30, 60 and 90 days with a variety of discount premiums offered to the enterprising merchant who desires to anticipate his settlements.

After business had exploited all

avenues of capital introduction, business operators of the world introduced the giving of discount premiums to accelerate the payment of outstanding accounts receivable.

What do we find to-day? That in virtually every business in existence, in every country of the world, and particularly in the United States, terms of sale clearly indicate the time a debtor may take before reaching the time limit discount privilege.

In a U. S. Department of Commerce Bulletin, the following are given as the average terms for this country, with slight variations for different parts of the country:

Meat Packing	1/2%	10 days
Canning	2%	10 days
Flour Milling	2%	10 days
Sugar Refining	2%	7 days
Coffee and Tea	2%	10 days
Confectionery	2%	30 days
Tobacco Mfg.	2%	10 days
Groceries	2%	15 days
Iron and Steel	1/2%	10 days
Hardware	2%	10 days
Petroleum	2%	10 days
Textile and Woolens	2%	10 days
Dry Goods	2%	30 days

I have mentioned the outstanding industries in this country whose average terms are very short compared to the old practice. Yet, mark you, in every instance they are found in the dignified company of a discount.

What does all this mean? I'll tell you what it means. *Rapid return of capital means profit. Rapid return of capital in this day and age means survival.*

In order that the various businesses mentioned may have their working capital 20 days ahead of time they are willing to pay 2 per cent. for the privilege. In a year they pay 72 per cent. for that convenience!

Now, if experience has shown the necessity of a business being able to pay a premium for anticipated payment, *what is the cost of delinquent settlements?* A company's capital is limited; its opportunity for profit lies principally in the number of times this capital can be reinvested. Each such turnover of working capital creates its own percentage of profit. *Anything therefore that prevents or hinders the rapid re-investment of this working capital reduces profit directly.*

Assume that a delinquent owes \$1,000 thirty days past due. We have cost of collection follow-up and the substantial loss because this capital cannot take its place in active turnover.

You have often heard of the abuse by the discount taker who sneaks a discount after a bill has gone beyond the discount date. We of the affirmative say it is a far greater abuse to allow a settlement to go beyond maturity date, without an accompanying charge.

Having proved the need for interest charges, we of the affirmative contend that when an account has been allowed to run past the date of maturity, interest should be charged, both as a matter of business common sense, and also of principle. Remember the wholesale house in planning its policy allots a certain amount of its capital to merchandise, another amount to accounts receivable, and so on, through its list of requirements. If accounts are not met promptly at maturity, the accounts receivable exceed their limit and the business becomes a borrower and pays interest

on its borrowings because the debtors who take more time for payment than the terms of the contract allow, force the seller into this unfavorable position. We therefore maintain that the charging of interest on past due accounts is a sound credit policy.

[The speaker here quoted six authorities in support of his argument.]

*THE SECOND affirmative speaker on the winning team was F. Howard Winney, of Atwood & Company, Minneapolis.*

### **The Feasibility of Charging Interest on Past Due Accounts**

**M**Y colleague has shown the need in present day practice for charging interest on past due accounts. I propose to show the practicability of interest charges on accounts not paid at maturity.

Let us turn for a moment to find just how the word interest may be interpreted. In Business Law we find that interest is "money to be paid for the use of capital, on a loan of money, or for the forbearance of a debt, and becomes part of, and incident to a debt, or it is damages for the detention of a debt due."

If our worthy opponents would have us believe that interest is a contraband of some character, may we refer them to Corpus Juris, Vol. 33, page 178, where we find it explained as follows: "Interest is defined as compensation, allowed by law, or fixed by the parties concerned for the use of, or for the forbearance of money."

In referring to the Uniform Sales Act, Sec. 70, we find, "Nothing in this Act shall affect the right of the buyer or seller to recover interest or special damages in any case, where by law, interest, or special damages may be recoverable, or to recover money paid where the consideration for the payment of it has failed."

The majority of the States recognize the collectibility of interest on unliquidated accounts. While some have no legislation to the contrary the law does recognize the established customs of trade and usages. A trade custom, which is legal, well known, long established, and generally agreed to within the trade, to the effect that interest is due under given conditions, results in an implied contract to pay interest.

Is there any difference between:

a merchant who goes to the bank and buys \$100 to be repaid in thirty days and receives \$99.50 with the understanding that when the contract expires interest will be charged from the date of maturity, and

a merchant who goes to a jobber, wholesaler, or manufacturer, and buys \$100 worth of merchandise to be paid for in 30 days? If the account becomes past due, is there any good reason why he should not pay interest?

Here is a delinquent receivable just as much as the banker's delinquent item. Can you conceive of the banker not charging interest? If the affirmative side of this resolution for debate is adopted generally, you will be unable to conceive of a jobber, wholesaler, or manufacturer not doing as the banker does.

We realize that we cannot adopt a policy over night that will bring us within the prescribed limits of the law. But the law again has anticipated the condition, for it is generally accepted, that customs and usages of trade will prevail in the interpretation of the law. That, my friends, means that in order legally to make Mr. Delinquent Debtor a party to this interest charge we have only to have printed on our business stationery that interest charges will be made on all past due accounts, or words to that effect.

Now a word or two as to the cost of the procedure. I have canvassed some organizations in the immediate vicinity who have adopted a general policy of charging interest on past due accounts.

*The bankers*—I need not enlarge on this point, for every one of us can anticipate the chaos that would exist in banking, if the banks did not charge interest on past due accounts.

*The manufacturers, jobbers or wholesalers*.—One of our Minneapolis members has about 7,000 active accounts. His company has adopted a policy of charging interest on past due accounts. In 1927 it collected \$2,017; in 1928 \$1,378. When asked about the cost the Credit Manager said that the necessary computations were made without additional assistance or expense. It is cheaper to figure interest than to send collection letters and statements, because accounts on this basis are paid more promptly. He considers it significant that interest receipts in 1928 were about \$600 less than in the previous year.

This company, which has adopted this policy has in one year, through the medium of interest charges, reduced the carrying of approximately \$10,000 in delinquencies—a very significant figure for any business. Note that in 1927, the company collected \$2,017—the return received for the carrying of \$34,000 of delinquencies. This helped, in some measure at least, to make up the capital, which had to be replaced in the active turnover.

Recently there was held in Minneapolis a conference of representatives of the paper industry, called to consider the question of carrying delinquent accounts. These men represented the Minnesota Paper Merchants Credit Exchange and the Northwest Paper Merchants Association.

After going over their mutual problems, they adopted a resolution, the essence of which is that "the charging of interest on past due accounts is a sound credit policy."

*The customers*.—For me to prophesy the reaction of the debtor would require the uncanny foresight of a soothsayer or clairvoyant. But I submit to you that we have in general practice today conditions of trade that no one even dreamed of as possible. I need only cite the Bulk Sales Act, the elimination of the insolvency statutes, the adoption of the National Bankruptcy Act and the curtailing of terms of sale from two annual settlements, to the present 7, 14, 30, 60 and 90 day terms.

I further refer you to the terms enjoyed by the Fruit and Produce Industry, where the terms have been reduced from all sorts of practices to *seven days net*.

All these innovations were the demands of Trade and Equity. We therefore submit to you as the most practical innovation of trade, the policy of charging of interest on past due accounts as a sound credit policy.

*The judges of the debate were William Fraser, E. D. Ross and Kay Todd. The negative side was upheld by H. W. Clausen, C. D. Osborn Co., Chicago, and L. T. Hadley, Goodman Manufacturing Co., Chicago.*



# Inventory Needs Verification

## Accountants Are Ready for This Responsibility

By C. Oliver Wellington

Senior Partner of Scovell, Wellington & Co., Public Accountants

**I**NVENTORY, because it represents 25 to 50 per cent. of the working capital of a company and because of its possible effect in the way of inflated or understated profits, is an item of major importance. No other balance sheet item is more susceptible to misrepresentation or more affected by an unwillingness to face unpleasant facts. Bankers, however, have to have a positive knowledge regarding the quantitative aspects of an inventory—whether it is excessive, normal or depleted—because of the effects upon cash. Likewise they have to know about its qualitative aspects—whether stable, perishable or obsolete—because of the effects upon sales.

Before bankers can reach any sound conclusions on either quantitative or qualitative points, however, they need the fundamental assurance of accuracy in count and valuation. For such assurance they naturally look to the auditor, the disinterested professional man who is on the ground; and they desire to know exactly what he did to verify the inventory; or if he did nothing, why he passed over such an important item.

### Inventories May Be Useless

Addressing the Robert Morris Associates, Clinton H. Scovell said several years ago:

"In our opinion, the certificate by a firm of accountants which says 'accepting the inventories as furnished us by the company' is nearly useless for your purposes" (referring to a balance sheet submitted as the basis for bank credit).

Walter E. Sachs later told the New York State Society of Certified Public Accountants, that they ought to verify inventories. In spite of this challenge there was regrettably little discussion or action on the part of public accountants. In December, 1927, Mr. Wellington reopened the matter before the Robert Morris Associates, New England Chapter, with the statement that any banker who seriously wanted an inventory verification, could find more than one auditor,



qualified by training and experience to perform the work satisfactorily, who would welcome the task.

During the last year and a half, there has developed an active discussion among accountants not merely as to the theory of inventory verification but—more significant—as to ways of developing a workable procedure. The New York Society of Certified Public Accountants, for example, has appointed a special inventory survey committee, with the idea of evolving a well-defined procedure which practicing accountants generally may follow. The American Institute of Accountants, collaborating in the revision of the Federal Reserve pamphlet on approved methods for preparing balance sheets, has placed greater emphasis upon the verification of quantities. The American Accountant, summarizing the views secured by it from representative public accountants, states that although there is a diversity of views as to methods, there does not seem to be a great difference of opinion on the proposal that a larger degree of responsibility for inventories should be undertaken by auditors.

The following outline shows the degrees of the auditor's responsibility in the general relationship between an auditor and his client:

Circumstances	Degree of Auditor's Responsibility Desirability	
	None	Minimum
1. Inventory determined by client and used without verification...	None	Minimum
2. Inventory taken and priced by client, but tested by auditor....	Limited	Medium
3. Inventory taken or supervised by auditor	Full	Maximum

Where the auditor, as shown in Section 1 of the above table, is not permitted to assume responsibility for inventory verification, he should qualify his certificate so as to indicate unmistakably that his determination of the true financial condition is limited by acceptance of the inventory as determined by the client.

### Qualified Certificate

Yet he cannot afford to place 100 per cent. dependence upon the client's certificate; for, if a substantial overvaluation of the inventory is later disclosed, his disclaimer of responsibility will not ward off severe criticism. So, if the auditor is wise, he looks upon the qualified certificate as the last report in lieu of something better, and he is everlastingly trying to bolster up his qualified certificate with confirmatory acts required by his sense of self-protection.

In the situation as indicated by Section 2 of the table, where the inventory is counted, priced, extended and footed by the client, but is later subjected to certain tests by the auditor, the following activities may be mentioned as constituting "ordinary" audit procedure:

1. Obtaining copy of completed inventory, and test checking to original records of the client's physical count, however crude, or to continuous inventory records without any physical count of quantities by the auditor.
2. Determining ownership of goods.
3. Checking inventory cut-off.
4. Verifying valuation at cost or market, whichever is lower.
5. Test checking extensions and footings.
6. Comparing total inventory with business done through tests of gross profit, quantities received and delivered, rate of turnover and other similar tests.

No hard and fast rule exists as to the extent of the test checks to be made. In general, however, the theory seems to be that the auditor, without participating in the actual counting of stock, can perform sufficiently extensive tests to satisfy himself as to the substantial accuracy of the inventory.

The primary difficulty with this situation is that the absence of a check on quantities leaves the question of understatement or overstatement undecided. However correct the unit valuation of an inventory item may be, the correctness of the total valuation depends on the correctness of the quantity. The progressive auditor feels that, no matter how well the ordinary tests are performed, there is a vital weakness in an inventory certification not covering quantities, for it is not conclusive. And it is not honest to camouflage the verification of quantities, and seek thereby to secure credit for a verification which is not made.

If the auditor is not allowed to make a real verification of quantities, he must qualify his certificate, but it is then of only medium worth.

### **Making Auditor Responsible**

The third typical situation, shown in Section 3, is where the auditor is directly responsible for actually taking the inventory or intimately supervising it. Substantially, this means that the auditor is responsible:

(1) for making various pre-inventory arrangements in the case of a physical inventory to see that proper procedures and materials are provided, or at least for checking arrangements made by the client;

(2) for exercising supervision on inventory date, and making test counts in the case of either a physical inventory or a continuous inventory;

(3) for satisfying himself at a post-inventory date that quantities have not been improperly changed, and for continuing with the test checks previously outlined. Thus the auditor, in assuming full responsibility for inventory verification, departs from what has been called "ordinary" audit procedure only in that he participates directly in pre-inventory work and in counting on the inventory date. He can then give an unqualified certificate, which is of maximum worth.

It is often contended that if a public accountant is to certify inventories, he must count *all* the items, and that the amount of work involved is absolutely prohibitive. This objection is unsound, both in the case of a physical inventory and in the case of continuous inventory control.

When the auditor is supervising a physical inventory, it is no more necessary for him to count, weigh or measure every inventory item than it is for him to check every footing and posting in the books of account. All that the experienced auditor needs to do is to make an exact count of a reasonable number and variety of items, coupled with general inspection of the others and with due consultation of client records as a supplement to counting, so as to satisfy himself as to the substantial accuracy of the quantities reported.

When a continuous inventory control system is in use, with the ledger balances continually checked by physical inventories taken by the client, there should be the minimum of errors, whether the result of accident or design; but the auditor must take such steps as will satisfy him that his trust in continuous inventory control in general is not misplaced in the particular case. He can do this by determining that the control system is functioning as designed; by ascertaining what portion of the ledger inventory has been physically checked by the client within a recent period; by checking the recording of differences uncovered by the client's check, and by calling for all the test counts he himself desires at inventory date, so as to satisfy himself fully as to the accuracy of the material ledger.

It is argued that inventory verification would mean greatly increased fees to clients, out of all proportion to the benefits to be derived. An enormous amount of time is devoted by auditors to what Kipling calls "footing and carrying one", when what is really wanted is a reliable answer to the question. What are the values there? The auditing practice of this country as a whole spends too much time on checking postings and running down 23-cent errors in bank balances, while considering that an inventory within 15 or 20 per cent. is close enough. The vital point, therefore, is not as to how much inventory verification would increase the cost of audits, but how auditors are going to meet fully the responsibility of so organizing and conducting their work as to make it count for the greatest number of their clients.

The auditor can make inventory verification an integral part of his program without undue cost to the client. We know from experience that we can assume full responsibility for from 30 to 50 per cent. of the

audit fee—the exact amount in any case depending, as it should, upon the relative importance of the inventory among the items to be verified. Fees certainly do not have to be "multiplied", as some bankers and accountants have claimed would be the case.

Many conservative bankers and credit managers do not urge with any appreciable degree of emphasis that companies have a real audit job done, and often accept a certified statement without questioning the qualification in the certificate as to inventories. They have been unfair to public accountants in holding them to blame when inventory fraud has later been discovered in such circumstances. It is too much to expect at the present time that any accounting firm will refuse to accept an engagement unless it includes a complete verification of the physical inventory, but the accounting firm should not be criticized by bankers and credit managers if it has tried to persuade the client that a verification of the inventory would be the most satisfactory procedure for all concerned.

Mere lukewarmness on the subject of inventory verification is not sufficient; a cordial endorsement of the idea is needed. When bankers in general show a more general practice of what progressive bankers have for some time been preaching, there will be a gratifying increase in the number of thorough-going pieces of audit work done, for progressive auditors are standing ready.

### **To Get an Acknowledgement**

A MAN was lamenting to his banker an uncollectible debt of \$500. "I would sue the man, and might get it, but unfortunately I have nothing in writing confirming the debt. Don't tell me that I am a chump, because I know it."

The banker paid no attention to the last remark but said, "Write and tell him that you need the \$1,000 at once."

"You mean the \$500," the creditor interposed.

"No, I don't. If you say \$1,000, he will write back a letter of protest, and then you will have the written acknowledgment you need of the debt."

# A Call to Action!

## What Adjustment Bureaus Have Done and Can Do

By H. H. Heimann

Treasurer, Kawneer Company, Niles, Mich.

THE Adjustment Bureau Department of the National Association of Credit Men has long proved its value to business. It seems inconceivable to me that credit men should fail to avail themselves of these services. I contend that American business could save \$100,000,000 a year through the use of Credit Interchange reports, with respect to bad debt losses. I believe that it is conservative to figure that a further possible saving of \$50,000,000 could be made through the Adjustment Bureaus approved by the Association. Every record I have ever checked has shown returns on claims placed through Adjustment Bureaus and Collection Service Departments that exceed claims placed elsewhere. My experience has not been unusual. If the chief business executives of the United States knew the splendid record these departments have made, credit departments would be directed to place their business with us.

There is nothing as depressing and inexcusable as the average credit man's disinterestedness in an account that has gone into bankruptcy. Often credit men do not so much as interest themselves to the extent of attending the creditors' meeting. It is *their* business that is being discussed, *their* money that is being administered,—yet they do not raise their voices in demanding economical administration, nor even concern themselves as to the appointment of a Receiver or Trustee.

They cannot counter with the defense that they haven't the time, for if they do not desire to appear personally, they certainly have time to pass their claims to the Adjustment Bureau and Collection Department. Credit men are not expected to spend their hours in the bankruptcy courts; but it is expected they will use reasonable judgment in matters concerning the welfare of their business, so that either they follow their claims personally or place them where they will be best taken care of.

It seems peculiar that most people believe bankruptcy administration to

be involved with legal technicalities, and therefore lawyer's work. The records clearly show that this attitude on the part of credit men has been responsible for the indifferent administration of bankrupt estates that has proved so exceedingly wasteful to American business.

### A Business Task

The administration of a bankrupt business is not different from the administration of any other business. It is a business task—not a legal one, and the crying need in bankruptcy proceedings today is less law and more business. The attorneys have their place, but that does not include the management of a business.

Salvaging estates is as high a type of service as can be given to business. If every credit man availed himself of the services of the Adjustment Bureau there would be fewer bankruptcy administrations and better realizations out of litigation. Bankruptcy administrations are expensive—they are technical—fees and costs eat into expected dividends; place your claims with the Adjustment Bureaus and, in most instances, you will find the estates are handled out of court, without appeal to the Bankruptcy Law. They are handled in a businesslike fashion, through independent adjustment. This is a day of arbitration and adjustment; we are trying to keep out of courts, not get into them. And who is better qualified to handle an estate than an Adjustment Bureau? Its experts can pass upon the honesty of the failure, and in this connection they of course work very closely with the Credit Protection Department. They are experienced in administration and have available committees who can usually qualify on the particular estate to be administered. Consider their record—it speaks for itself—not infrequently they have even rehabilitated a debtor and saved him as a merchant.

Of 53,500 bankruptcy cases considered in 1928, 30,400, or 57 per cent. were non-asset and creditors received no dividends whatever. So

far as the average credit man was concerned, most of these bankruptcies were simply forgotten, and, unfortunately, the loss was taken without profit from the experience. Had they co-operated through the Adjustment Bureaus, the situation might have been different.

There are hundreds of compromise settlements, fraudulent in their nature, that are annually put over on individual credit men. Concentrate these claims in the Adjustment Bureau and the Collection Department and the story will be different. Fraudulent compromise settlements rank at present next to commercial crimes in costliness to legitimate business.

### Dumping of Merchandise

Bankruptcy administration affects all business. Its cost is not borne by creditors alone, for they share only the direct loss attributable to bad debts. There is an indirect loss due to the unscientific dumping of the bankrupt's stock of merchandise upon the market. This dumping process may demoralize trade conditions and plunge an entire business community into chaos. It is, therefore, tremendously important that the estate be handled with judgment and discretion, and that merchandise be disposed of without injury to those regularly engaged in business.

Like the other activities of the National Association of Credit Men, the Adjustment Bureau system is national in its scope. The possibilities of this Bureau are as extensive as those of the Credit Interchange System. It is the logical force to handle estates.

When you place a claim with an approved Adjustment Bureau you know actually what is being done with it. The Bureau is informative, not secretive. I would not attempt to estimate the maximum savings to business that the Adjustment and Collection Bureaus would make if they were privileged to handle most of the collection and adjustment work; it is enough to say that the savings would be tremendous. Being national in



scope their practices are uniform, and their treatment of creditors, whether members of our organization or not, is alike. That is a basic principle strictly adhered to.

Some may feel that I am over-optimistic when I speak of the possible savings through the proper utilization of our Service Departments. Fortunately these various departments have incontrovertible figures in support of the statements I have made. The average percentage of cost of administration on estates handled through an Adjustment Bureau, during the past year, was approximately 15 per cent. Compare this with the cost of 32¼ per cent. for the administration of estates through the bankruptcy courts. The latter figure is taken from the U. S. Attorney-General's report for the fiscal year ending June 30, 1928.

### **Possible Savings \$68,500,000**

The Adjustment Bureaus last year paid an average dividend on the estates they handled of no less than 35 per cent. Dividends paid through bankruptcy agencies, according to the Attorney-General's report, averaged but 6.31 per cent. It does not take a mathematician to grasp the significance of these figures.

Nineteen hundred and twenty-eight failures showed liabilities in excess of one-half billion—to use round figures. Let us assume that the Adjustment Bureaus had been called upon to handle all the claims in these estates, and that instead of maintaining an average of between 35 and 40 per cent. they had been only half as efficient as they had proved themselves to be in recent years, and thus were able to pay only 20 per cent. This would mean total payments of one hundred millions of dollars on the total failures of last year. The Attorney-General's report would indicate actual payments of thirty-one and one-half millions. Figured in the most conservative way, therefore, this nation would be saved sixty-eight and one-half millions of dollars annually, had all these claims been handled by the Adjustment Bureau.

Are the executives of this nation going to continue such wastefulness much longer?

As to the efficiency of the Adjustment and Collection Bureaus, when I inform you that fifteen million dollars of claims have been handled during the past year by them, and that to-

tal payments on these claims range from forty to fifty per cent., I think you will agree that our Bureaus have proved that they are entitled to deal with these matters.

When I look back to the humble origin of this organization, compare its membership then with its vast membership of today, I begin to feel we have made rapid strides. But when I look to the future, and see what is in store for us, I believe that *our past performance will seem like child's play, when compared with the possible achievements immediately ahead of us.* No other profession in the United States today has the patent opportunity to effect economies in business that are comparable with those still to be accomplished by us.

The possible savings amount to a staggering sum, but it is not in dollars and cents alone that the gain is to be seen; that, though valuable, is but incidental. It is in the building of a national organization, whose work will be so wide in its scope, so sound in its ideals and practical utility, that business principles and ethics will be immeasurably elevated and strengthened, and a business conscience developed, finer and more sensitive and more endurable.

### **The Call to Action!**

It is time we reached out and assumed the leadership offered us. Unless we do, someone else will, for the American business man is no longer willing to procrastinate—the call to action has sounded as he faces new competition—a competition not of commodities, nor yet of prices, but one that follows in the wake of scientific knowledge when applied to business. The next decade will have little patience with extravagances. The next decade will not tolerate credit losses of half a billion dollars; the next decade will insist upon business administration of bankrupt estates, and will demand a uniform system of adjustments and collections.

Are we, in this day and age, willing to admit that our profession is retrogressing? Are we willing to admit that the original band of men who organized our Association and suggested various matters by one of the first articles in our constitution, had vision, courage, initiative and energy far surpassing ours? Are we going to continue to sit idly by, or are we going to plunge into the work with the spirit and the will to do and ac-

complish? The answer lies wholly with the individual Credit Manager. It is up to us.

### **More Federal Judges Would Expedite Prosecution**

**I**N President Hoover's law enforcement campaign one of the first steps should be the addition of more Federal courts and more judges to speed up justice, Maxwell S. Mattuck, counsel for the National Association of Credit Men, told members of the Commercial Law League of America at a recent meeting in New York City.

Mr. Mattuck, a former First Assistant United States Attorney, said that the Jones Law might be expected to result in further clogging of the Federal courts, already congested with criminal cases.

He pointed out that during the fiscal year 1928, only 125 U. S. District Judges were available to handle about 215,000 cases of all classes in Federal courts. They did well to dispose of about half these cases, he said.

"Of 83,000 new criminal cases, nearly 75 per cent. had to do with violations of the liquor laws," he said. "The increase in the Federal judiciary in the last ten years has by no means kept pace with the demands upon it created by new legislation.

"The result has been a congestion which has worked to the detriment of prosecutions under all criminal laws, and has permitted many criminals to go unpunished."

Mattuck suggested that the tremendous increase in the pressure of business on the Federal courts may have been partly responsible for the chaotic bankruptcy situation.

As an example of the congestion, he cited the fact that more than 600 indictments charging mail fraud and bankruptcy fraud in cases investigated by the National Association of Credit Men alone are now awaiting trial in Federal Courts.

"Speed and certainty of punishment are absolutely essential in the prosecution of crime," Mattuck said, "but neither is possible unless the congestion is relieved."

# The Little Word "Net"

## Increasing Attention Is Paid to Net Profit

According to

**Harold Stonier**

Educational Director, American Institute of Banking

**A**T one time I had the happy connection of being associated somewhat with the educational work of the Los Angeles Chapter or Association of the National Association of Credit Men. In that connection I was called upon to lead a class in public speaking. At a meeting of several hundred men I spoke on the value of public speaking to credit men, and we organized some classes. Some of my friends who were in the organization came up to me during the course of the week and said, "We are going to start a class on Monday night of only fifteen, just active and past officers. One man has joined who we had no idea would join. He has been president of the National Association of Credit Men; he has made speeches all over the country; and he has forgotten more about public speaking than we will ever know. In view of the fact that you are rather a young chap, we want to warn you. He is a gentleman of distinguished appearance, an Irishman and a very practical wit. He may try to pull something on you. His name is F. B. McComas."

That Monday night I looked forward to with a great deal of apprehension, and as I came in I spotted him. I was very much surprised that, when I spoke, he didn't growl at me or bite me or something of the kind. We called on each man to make a little speech, and when the time came, he made his like everybody else, only a little better. The following week, and the third week, he did the same thing.

Still being in the dark as to why he had joined the class, I asked him, one night when I had got to know him better, "Would you mind telling me why you are here—a man of your long experience?"

"Well, if you really want to know, I will tell you," he said. "You came down and talked to our group of 200 or 300 men, a pretty hard-boiled bunch, and sold them this idea of

public speaking. I heard you talk along for ten or fifteen minutes. You kept their attention and their interest and then sat down, and I realized that you hadn't said a damned thing. I joined this class because I want to learn how you do it."

The business of the Credit Man-



ager is becoming more subtle, competition more keen, the problems more complex, and a deep understanding of business becomes greater every day.

Have we any standard by which we can gauge whether or not a business is progressing toward a certain goal? The goal of any real business enterprise is not profit; it is *net profit*. That little word "net" is coming to mean more and more as business activities develop.

In the field of banking, for instance, there has been over the last fifteen years a 210 per cent. increase in deposits, an 80 per cent. increase in gross profits, but only a little over 30 per cent. increase in net profits. The whole banking field is today concentrating its thought on how to better the situation.

These are rapidly changing times we live in. There was a time when

psychology did not play such a large part in real business activities as today. The elements of style and fashion, which only a few years ago we regarded, with a sort of laugh, as being connected entirely with women's wearing apparel, are today matters that affect all types of business enterprise. The way you put the roof on your house, what your roofing consists of, the way we light the streets of our cities, the matter of the interior furnishing of the home, the matter of the type of hardware we use—all are matters of style and are subjected to very subtle shadings of color. A whole industry can be blotted out by virtue of a simple style change.

### *Below the Surface*

That throws upon all successful business enterprises a new obligation of research and investigation below the surface of things. In all successful business enterprises, wherever I go over America, I find that research and investigation are more deeply entrenched today than ever before. What in a budget of a few years ago would have looked like a tremendous amount of money for this intangible sort of thing called research is today regarded as a legitimate item and in many organizations it is increased from year to year.

Even in those organizations that have research laboratories, where they deal with chemicals, metals, and so on, the spirit of research permeates every job in the plant. The criteria by which you judge the progress toward a successful goal in business enterprise are determined very largely in the spirit of investigation, research, open-mindedness, analysis, which every job in every plant requires and secures.

Are you doing your job as it was done five years ago, and has your job been successful now in these new days of business research and investigation? The changing years demand of that very job a type of in-

vestigation, a change of front, a new type of attack that never before has been made upon it. Sorry indeed is that business man or woman who rests easy and says, "My job has been done this way for ten years and need not be changed."

There has been produced in the last five years more literature in the field of management than in any other field of business or economic writing. Whole organizations have been built upon the theory of delving more deeply into the problems of management.

### **Ownership and Management**

One basic thing has happened in this field. Management and ownership have been divorced in American business. Only here and there is an institution run by a family. Nowadays industries advertise themselves as being owned by their consumers, by their employees, by a broad constituency vitally interested in their development.

Sometimes, it is true, the old ownerships and managements that went together had a type of responsibility that we do not get under the present system. But on the other hand, the old ownership-management where blood relationship was a factor many times meant stagnation rather than aggressive expansion.

Here is a well known Chicago bank that buys \$5,000 worth of newspaper space in New York City to tell the New York market simply one thing in its advertisement, which said, "This bank is owned by 5,400 stockholders." It wanted to prove to the New York market that it was in step with the alert conditions of today.

There was a time when much stress was placed upon the engineering problems of production. Later, the emphasis of management passed to financing. The important man was thought to be the fellow who could raise the money. In fact, in some instances this has been too easy.

Then the emphasis changed to sales. But the limitations of over emphasis on sales are readily to be seen.

Management under the modern strain and stress of business, has had put upon it much more difficult problems than any of those I have mentioned. It must take into account (1) the stockholders; (2) the board of directors; (3) the officers; and (4) the employees. Management

must look upon all those elements as parts of a great enduring machine progressing toward the goal of net profits, by rendering the greatest service by the best possible means.

Management can get its men in various ways. It can buy them, or bid for them, but usually it must build them.

There was a track team this Spring that won for the third time the intercollegiate championships. One of the youngest track coaches in America was its coach. When he was asked how he developed so many champions, he said, "My job is to take the fifth-rate man and develop him to where he will be a fourth-rate man, to take the fourth-rate man and develop him to third-rate, and the third-rate man to second-rate. The star men take care of themselves."

So it is with management. You can have your brilliant men that you buy, you can have your brilliant men that you bid for, but the great rank and file of your staff must be built up of the men you build yourselves.

The American Bankers Association for years has been interested in the work of Dr. Stephen I. Miller. The American bankers will be indebted for years for the fine service he has rendered to them in going up and down the length and breadth of this continent preaching that one gospel, that they had to *build from the inside of the organization* the men who eventually will run the banking institutions of America.

### **Bankers Studying**

They were sold on the doctrine, with the result that today the American Banking Institute has 65,000 people interested in the Institute's educational programs. One bank employee and officer in every six is interested in our programs and studying banking and economics, finding out what it is all about. They are better co-operators, men who will work together under successful management. I say that the contribution made by the present Executive Manager of the National Association of Credit Men will for years deserve the gratitude of the American banking fraternity.

Credit can yet be the greatest impostor if it is misunderstood. Credit is made up in part of the trade winds, of the character of the soil, of mountain ranges, of harbors. Beyond all

that it is part of the capacities and abilities and character and attributes of the human being. All that is your field as credit managers. All that is your responsibility to understand. And still beyond that, you must be able to interpret it and to tell the story so that the fellow who comes to you asking you for a line of credit can be denied and yet convinced of your fairness.

Yours is a tremendous responsibility, but you take upon yourselves the name of credit executives because you have to deal with the intangible subtleties of business and of life which hundreds and thousands and millions of people never understand, and can understand only through your ability to interpret.

### **School Children Help**

A COLLECTION letter writing contest among school children was arranged by a harness dealer, according to the Spokesman and Harness World. With the co-operation of the school teachers of the community, attractive prizes were offered.

The unusual contest stirred up a great deal of interest because the children were anxious to win a prize and they got their parents to help them draft an appealing letter. Some of the children showed real literary talent and they produced some very touching letters, quite "touching" in fact. The local paper gave the scheme some free publicity by printing a few of the best letters and attracted the attention of the entire community to the contest.

The dealer finally announced in the paper that he was unable to decide which were the best letters so he would give five or six of them an actual trial on some of his accounts and judge them by the actual results. You can imagine what happened when a delinquent accidentally, or intentionally, got a letter written by his son or daughter, some other relative, or the children of a friend or neighbor. It is a good stunt that any dealer can use with good results in any community.



# Burroughs



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Also typewrites, adds, subtracts, and accumulates totals. Posts ledger and statement and makes proof journal with distribution—and similar combinations of records—simultaneously.

Call the local Burroughs office for a demonstration of this new Accounting Machine.

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# See You In Dallas Next Year

**"GOOD-BYE, old man, see you in Dallas next year!"** This was often heard as delegates to the N. A. C. M. Convention at Minneapolis took leave of one another and started for home.

For at its first meeting, on the last day of the Convention, the newly elected board of directors of the N. A. C. M. with President Lawrence Whitty in the chair, received the formal invitation of the Dallas Wholesale Credit Men's Association and of the Dallas Chamber of Commerce, and then and there accepted it.

The date of the convention was not set precisely, but the Board decided that the clans would gather in the month of May.

The choice of Dallas as the 1930 convention city was perhaps determined by the singing, on various occasions, during the week at Minneapolis, of the following song to the tune of "I've Been Working on the Railroad":

## THE EYES OF TEXAS

The eyes of Texas are upon you  
All the livelong day.  
The eyes of Texas are upon you  
We want you down our way.  
Do not think you can escape them—  
Rise you up so early in the morn.  
The eyes of Texas are upon you  
Til Gabriel blows his horn.

The most affecting rendition of the song was one by four celebrated Texans, in native costume, who contributed a number to the delightful professional vaudeville program, one of the many excellent entertainment features provided by the Convention Entertainment Committee.

## A Whiff of the West

Another suggestion of the wide open spaces was provided by the Committee in the form of a remarkably fine rodeo and riding circus at the State Fair Grounds, put on especially for the delegates by the "Hook 'Em Cow" outfit, with music by the Minneapolis Municipal Band. Members of local association new-membership committees studied intently the superlative skill of the roping experts.

## Credit Women's Dinner

A Convention feature of constantly increasing importance is the Credit Women's Dinner. At the Minneapolis affair, Miss Esther C. Parsons

was toastmistress and Miss L. M. Guth was chairman. Mrs. W. W. Remington delivered an inspiring address on "The Business Woman Seeks a New Horizon."

## Retail Credits

P. H. Carr, Standard Clothing Co., Minneapolis, brought to the Convention the greetings of the National Retail Credit Association and said:

"Your Association has always maintained very cordial relations with our Association, and I can say that during the last year both Associations have worked in closer harmony than ever before, largely through the attitude of your Executive Manager, Dr. Miller.

"The importance of sound retail credits in the successful administration of wholesale credits is not a minor quantity. Not so many years ago it was a problem for wholesalers and manufacturers to obtain or produce sufficient goods for waiting buyers. Now, as for the past few years, our problem is to sell enough goods at low enough prices to maintain large scale production and extensive operations in highly competitive markets. If the business of the United States were to continue its rapid development, and if the demands of forced production (in order to keep our people employed and continually consuming our products), were to be met, a means of making easy purchase and consumption had to be found.

"This brought about the extensive use of retail credit and instalments. Born of necessity, it has not only met the needs of its original purpose, but has given an additional impetus to our commercial life, and is now regarded as one of the links in the chain of progressive steps that has made the scale of living in the United States the envy of the world.

"We have often been called a prodigal nation and yet analysis will show that this very prodigality has made us the richest nation in the world. Consider for a moment if the people of the United States would suddenly decide to become frugal, saving and parsimonious, buying only the things that were absolute necessities, what would become of the merchandise we are producing?

"We would immediately have a surplus of all luxuries. The production of them would cease. People and capital employed in their production would naturally seek other employment and drift into producing of necessities. This, in turn, would produce a surplus of necessities causing disastrous competition, additional unemployment, loss of money, business chaos, and a rapid decline to the level of seemingly more prudent nations.

"There are many of your customers who are having difficulty with their credit accounts. Others are contemplating establishing a credit policy as a weapon against the encroachment of chain stores. We urge you to encourage those merchants who are your customers, to become members of their local credit bureau and the National Retail Credit Association. These bureaus are not serving them with the greatest measure of efficiency unless they are affiliated with our National Association.

"Give your merchants these facts:

"The intelligent administration of retail credit will prove profitable if proper use of the facilities at their command are made.

"Credit losses can be held down to less than one-half of one per cent. of the volume of credit business.

"Competition in credit terms only leads to a reduction in credit standards that is injurious to all merchants."

## Trade Group Meetings

As usual, some of the most valuable sessions during the Convention were those of the various trade groups. At many of these meetings, papers were presented, the most generally interesting of which have been obtained for later publication in the CREDIT MONTHLY.

For example, D. S. Dodson, of Louisville, discussed the handling of insolvent estates at the meeting of the Hardware Group. At the Foreign Trade Forum G. R. Hicks, of Wilson & Co., Chicago, read a paper on foreign credit checking that would be suggestive even to those credit managers not yet concerned with foreign trade.

## Foam from the Three C's

### A Credit Bill of Fare

HERE is the bill of particulars of a recent dinner of the Syracuse chapter of the National Institute of Credit, of the National Association of Credit Men. The dinner was presided over by George A. Small, Smith & Caffrey Co., president of the Syracuse Chapter of the N. I. C., ably assisted by William L. Connor of the Mack-Miller Candle Co.:

#### MENU

Promissory Cocktail  
 Certified Soup en Tickler System  
 Salted Involuntary crackers  
 Bradstreet Pickles  
 Celery Hearts a la Interchange  
 Baked Character Fish  
     with  
     Capacity and Capital Sauce  
 Roast Duck with Exemptions  
 Where-got, Where-gone Stuffing  
 Bankruptcy Salad  
     with  
     Delinquent Dressing  
 Unguaranteed Rolls—Reclamation Butter  
 Intangible Ice Cream  
     with  
     Accrued Cake  
     Pesos-Coffee  
 Salted C. O. D., F. O. B.,  
     R. O. G., C. B. D. Nuts  
 Structural Steel Cigars

### Wholesale Assassination

The following record of a conversation evidently overheard in French Canada has been sent to the CREDIT MONTHLY by Ann Olney Muss, of Providence, R. I.:

Jean! Come on ovair. I got good news for you.

By gar! You remember dat tam dat we buy dose traps, an' we ain' got no monay to pay? An' you remembair dat we tell dose guy in city store dat we pay so soon we sell dose fur? Oui, an' how he laff an' say he ees credit man an' how he's got to know lot about us an' he ask moch damfool question?

Oui, an' how he make us chop moch wood an' work all about dose store an' den he keep dose monay we earn an' make us sign papairs an' lots damfool tings before we get dose trap?

Sacré! We was mad, remembair?

An' when we go back an' pay for dose trap he slap us on back an' be Good Feller, huh?

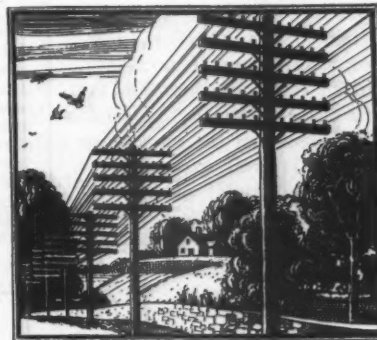
I jus' get back from city, Jean. I went to dose store to look 'roun'. An' while I'm dere dat credit man's boss he's talk to odder man wat come in. I'm not for hear all dose talk but I hear dat boss say he's favor to join wholesale assassination of credit men. By gar, Jean, dat soun' good to me. By gar, I'm tink wholesale assassination of credit men dam good idea.

### Simplification of Bank Checks

BANK checks now conform 82.64 per cent. with the simplification program developed by industry in co-operation with the Department of the Division of Simplified Practice Commerce, it has been reported by of the Bureau of Standards, United States Department of Commerce, following a review of the simplified program to ascertain the support that it is receiving.

## Copper highways

THE copper highways of the Bell System reach out to the most isolated places. 19,500,000 telephones—68,000,000 miles of copper wire—are making America one vast community. There are more than 2,500,000 telephones on American farms, practically all of which connect with the Bell System's nation-wide network of wires and cables. And eight times as much wire as is seen is tucked away in underground and aerial cables.



#### Vital Facts for Investors about American Telephone and Telegraph Company Stock

Back of this stock is a capital investment of more than three and a half billion dollars. In 1928 ninety-five million dollars was expended by the Bell System for central office equipment, one hundred and eighty-five million for aerial and underground lines, and another hundred

million for subscribers' telephone equipment and private branch exchanges. The growth of the Bell System is increasing in rapidity. Between 1912 and 1917 over 3,083,000 telephones were added to it; between 1917 and 1922 some 3,511,000 telephones; between 1922 and 1927 more than 4,315,000 telephones. And in 1929 this growth is continuing at the rate of more than 2,000 telephones a day.

May we send you a copy of our booklet, "Some Financial Facts"?

### BELL TELEPHONE SECURITIES CO. Inc.

195 Broadway



New York City

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# The Credit Manager's Office

## An Idea and Experience Exchange

### Handling the Bad Check

*San Francisco.*—In a recent meeting of credit managers, I was surprised to hear of the trouble that some of them were having in collecting checks returned on account of insufficient funds. As the simple method of our company [J. A. Folger & Co., Can Francisco], seemed to appeal to them, I am passing it on to you.

When a check comes back, we immediately write the customer, telling him that we suppose it was returned through a misunderstanding and that we are sending it back to the bank. We ask him to call and arrange for payment. We then write to the bank and enclose the check made payable to their order, and ask them to take it for collection, holding it for a few days if necessary, and to make returns to us, less the customary charge, (usually 15 or 25 cents). We feel that the money for these charges is well expended, as the checks are invariably paid. Sending a self-addressed envelope undoubtedly gets a little quicker action from the bank.—C. C. BECK.

### Binder With Novel Features

One of the well-known loose-leaf manufacturers has designed a new binder, designed to take care of visible records in large quantities. A quick touch of the finger on the operating lever is the only mechanical operation necessary, all others being automatic. When the book is open, the records lie flat for reference. A push of the lever opens the book still farther and automatically arranges the records on a flat surface for writing. In the third position, the prongs are thrown open for the insertion, removal or rearrangement of sheets. The simple act of closing the book automatically locks the sheets into the first position.

A new shift device enables the user to transfer an entire bank of sheets at one operation without rearranging them individually.

The sheets which fit the binder are made of a special paper on which col-

### R. S. V. P.

**W**ITH this issue, the Credit Monthly is starting this new department, a clearing-house of suggestions and information for credit executives. The members of the Business Literature Committee of the National Association of Credit Men, who were consulted with regard to this new feature of the magazine, have expressed enthusiastic approval of the plan and their belief in the practical value of the department.

The page will be of maximum value only if the readers of the Credit Monthly co-operate in making it so. This notice is an invitation and request to every Credit Manager to contribute an account of equipment, methods, or ideas which have been helpful to him in the operation of his department.

The department will also endeavor to keep Credit Managers informed as to new devices which are put on the market and are of interest to them in their offices, and any improvements which are made in appliances and equipment. Trade names will not be mentioned in these columns, but full details about any machine or office aid will be given any reader who asks for them.

Write us your suggestions!  
The Editor.

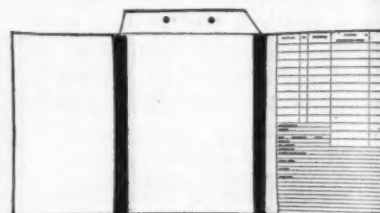
ored crayons may be used for signalling purposes and later erased without affecting the surface of the paper.

### New Portable Checkwriter

One of the manufacturers of check-protecting machines has just put on the market a new checkwriter, a small, portable machine of sheet steel construction. It is designed especially for the small merchant or dealer who wishes to have, at a price within his means, the same protection and convenience heretofore possible only for the users of large machines. Visibility, single operation, and portability are the principal features which are now incorporated for the first time in a machine of this size and cost. Credit Managers will be interested in this new model especially because of its serviceability to their smaller customers.

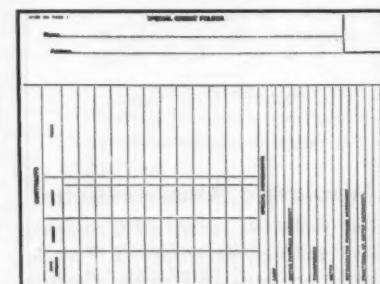
### A Special Credit Folder

*New York.*—The form of credit folders we use saves time and annoyance. The folder has a special device by which we are able to have all credit information, such as financial



Inside of credit folder. To the label are stapled interchange and agency reports, etc. The right-hand page contains a summary of all credit information. Size opened, 24½ x 11½ in.

statements, agency and bank reports, and similar data, in convenient and compact form next to a summary of the customer's rating and entirely separate from the general correspondence on the customer's business. This type of folder, which differs



Outside of credit folder as it goes into file, size 11½ x 8½ in.

from any others I have seen, makes it possible for anyone to review the financial information relating to a customer without looking through the correspondence incidental to the filling of orders, and greatly facilitates our work.

G. McK. ROBERTS *Asst. Treas.*  
*Internat. General Electric Co.*

### Insurance Saving

*San Francisco.*—If executives who buy fire insurance had a thorough knowledge of the manner in which rates are made up on their different plants, they would then be able to see many ways in which their rate could be reduced. The economy

on any one feature might not be great, but a multiplicity of little economies might make up a very large saving at the end of the year.

In our factory, for example, we thoughtlessly put in wooden lockers for our men, only to discover later that if we had installed metal lockers, we would have reduced our rate enough to have paid for these lockers within one year.

Close co-operation between the man who is buying fire insurance and his insuring company helps to avoid mistakes of this kind, and also prevents any possible argument over valuation after a fire has occurred.

H. M. LEE,  
Pelton Water Wheel Co.

### Is Your Lay-out Efficient

*Boston.*—When I took my present position a few years ago, I was immediately struck with the illogical arrangement of desks in the credit office—a matter that had simply escaped attention because it had developed gradually. I drew to scale a map of the floor space available and sketched in the desks and chairs also to scale until I had a plan that seemed feasible. By this arrangement and by removing an old partition which had stood for years only because no one took the trouble to get rid of it, I was able to make the same floor space provide much greater efficiency on the part of individual workers. Two weeks later, I found that I could reduce the number of units employed from eight to six, and from that time on the six did the same work, keeping it more nearly up-to-date than before. The final result of the changes was that we released 144 square feet of floor space for other purposes.

An occasional review of the various phases of the credit office routine—filing, bookkeeping, office layout, and so on—should be made every two or three years, at least. Probably 90 per cent. of the time, a change will not be found advantageous, but the trouble is worth while for the sake of the other 10 per cent. when changes will prove advisable.

RALPH B. JONES,  
C. A. Goodnow Shoe Co.

### Group Contracts Helpful

*Camden, N. J.*—The greatest help that our Credit Department has had in its credit operations has come from the interchange of correspondence with members of the Station-

ery Manufacturing Group of the Philadelphia Association of Credit Men and from the personal contact with these men at the frequent meetings held by the Group. Knowing the credit men of this group as we have come to know them, from talking over our problems with them from time to time, we get information that otherwise we should not be able to obtain.

F. N. LARGE,  
The Esterbrook Steel Pen Mfg. Co.

### Salesmen Collectors

*South Bend.*—We have speeded up our collections in the past few months

by giving our salesmen each week a list of their customers whose accounts are past due, with the dates and amounts, and asking them to try to collect the balances during the week. On Saturdays, when the salesmen are in the office, we go over their lists with them, checking off the accounts collected. The following Monday morning we write to all those who did not pay the salesmen as a still further reminder that we are expecting the money for the cigars, cigarettes and tobacco purchased. The plan has been very successful.

H. M. DAVIS,  
Hamilton, Harris & Co.

## \$13,352.50 Credit Loss Was “Big Surprise!”

A well-known national advertiser, the Electric Hose & Rubber Co., Wilmington, Delaware, writes us:

“It gives us great pleasure to acknowledge receipt of your check for \$13,352.50, in settlement of the adjustment of our claim against you by reason of a loss sustained on one of our accounts.

“This Company had the highest rating, and the loss was very unexpected, in fact, a ‘big surprise.’

“We appreciate the fair manner in which this adjustment was handled, and thank you for your promptness in disposing of the claim.”

### Credit Managers

You can protect your book accounts against all such losses. Write or phone for full details.

**The AMERICAN  
CREDIT-INDemnITY Co.**  
OF NEW YORK J. F. M. FADDEN, President

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San Francisco, Philadelphia, Baltimore, Detroit,  
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## MR. CREDIT MANAGER



If your city should be wiped out tonight you would expect your losses to be paid promptly, cheerfully and in full.

When San Francisco was destroyed by fire and earthquake in 1906 the Fireman's Fund Insurance Company settled losses in excess of \$11,000,000.



**FIREMAN'S  
FUND**  
INSURANCE COMPANY

Established 1863

Assets in Excess of  
**\$33,500,000**

2

# Answers to Credit Questions

*National Association of Credit Men*

One Park Avenue, New York

### As To Legal Advice

**THE** National Association of Credit Men supplies answers to credit questions and some of the answers, of general interest, are printed regularly in the *Credit Monthly*. Advice cannot be given, however, regarding legal rights and liabilities. Such advice should be obtained from an attorney to whom all the facts should be stated. When such inquiries are received, information is furnished only as to the general principles of law involved.

—E. P. P.

### Reclamation of Property

**Q.** Please advise whether it would be possible to reclaim certain machines, shipped to a handling agent who becomes adjudicated a bankrupt, the machines to be stored with the agent and delivered to customers purchasing the machines, all sales being made by the consignee and not by the agent.

**A.** The consignee under the circumstances above outlined will be entitled to reclaim the machines from the Trustee in Bankruptcy. If the property is consigned to be sold under the terms and at prices fixed by the consignee the contract is not one of sale but is a bailment and the consignee may reclaim. (See *Collier on Bankruptcy*, page 1152.) If the contract expressly creates an agency and the bankrupt was in possession of the property as an agent, the transaction is a bailment and the property does not pass as assets to the Trustee. Furthermore the transaction is not to be deemed a sale because of the agent's assumption for liability of loss, payment of certain expenses, and insurance; nor is it a contract of sale because it contained no provision that the agent should report the proceeds of the sale and turn over such proceeds to the principal. See *General Electric Co. vs. Brower*, 221 Fed. 597, *in re Flanders*, 134 Fed. 560, *in re Columbus Buggy Co.*, 143, Fed. 859.

### Upon Whom the Loss Falls in Case of Failure

**Q.** Upon whom would the loss fall in case of the failure of a debtor's bank where the debtor has given a check to the creditor in payment of an account due, the creditor has deposited the check in his own bank, and it is forwarded through the usual channels for collection.

**A.** Where the bank which fails is the debtor's own bank on which the check is drawn, the law is well settled that the loss falls upon the creditor, provided the debtor's bank has charged the amount of

the check to the debtor's account or has agreed to do so. But, unless the bank upon which the check is drawn is in a position to pay the check, the fact that the check is charged by the insolvent bank on their books to the account of the drawer, does not discharge the obligation of the drawer (buyer), to the payee (seller), and a cause of action exists on the original indebtedness or on the check in favor of the payee against the drawer.

For a full discussion of this subject see the 1929 *Credit Manual of Commercial Laws*.

### Garnishment of Wages

**Q.** Can a person residing in Pennsylvania be subjected to garnishment of wages or salary for payment of a debt due to an Illinois corporation?

**A.** If the Pennsylvania resident is in the State of Illinois he is subject to the garnishment law of that State. The laws of Illinois will not be enforced by the State of Pennsylvania.

### Chattel Mortgages

**Q.** Are general creditors entitled to notice of the foreclosure of a mortgage on stock of merchandise in the State of Vermont?

**A.** On the foreclosure of a mortgage, only those persons who have an interest in the mortgaged property are entitled to be parties to the proceeding. By an interest in the property is meant persons who have acquired liens upon the property by mortgage, levy of execution, or otherwise. General creditors have no interest in the mortgaged property and are not entitled to be made parties to the foreclosure proceeding or to be notified of the foreclosure of the mortgage.

### Bankruptcy

**Q.** Is there a law compelling a bankrupt to turn over his life insurance policies to the Referee or Trustee?

**A.** The cash surrender value of life insurance policies is ordinarily an asset of a bankrupt estate and passes to the trustee in bankruptcy. This is not true, however, in New York, it being provided by Sec. 55 (a) of the Insurance Law, that the cash surrender value of life insurance policies is exempt from the claims of creditors.

### Foreign Corporations

**Q.** Which states require foreign corporations doing business within their borders to appoint an agent upon whom legal process may be served in case of a suit against the corporation?

**A.** So far as we are advised, every state requires a foreign corporation which is licensed to do business within its borders to appoint a resident agent for the service of process. Whether or not a corporation



is doing intra-state business within the foreign state is a question which must be determined in order to decide whether or not a license is necessary. A corporation transacting only interstate business is not required to have a license.

### Sales

**Q.** Can the manufacturer of a household appliance, such as a washing machine, vacuum sweeper or ironer, be held liable for any damages for an accident that would happen during the guarantee period where this appliance was purchased on the instalment plan, most of these appliances being sold under a year's guarantee for defective workmanship only?

**A.** Where the warranty is merely that the machine is of good material and durable, a personal injury due to the breaking of the machine cannot be regarded as an element of damages as it cannot be presumed that it was in the contemplation of the parties. (35 Cyc. 478). A guarantee, such as mentioned by the inquirer would not ordinarily cover damages from personal injury.

However, whenever one person supplies goods or machinery or the like for the purpose of their being used by another person under such circumstances that every one of ordinary sense would, if he thought, recognize at once that unless he used ordinary care and skill with regard to the condition of the thing supplied or the mode of supplying it, there will be danger of injury to the person or property of him for whose use the thing is supplied, and who is to use it, there is a duty to use ordinary care and skill as to the condition or manner of supplying such things. This principle is not limited to poisons, explosives and things of like nature, or to things which in their normal operation are implements of destruction. As stated in *McPherson vs. Buick Motor Co.*, 217 N. Y., 385, it is possible to use almost anything in a way that will make it dangerous if defective. Whether a given thing is dangerous may sometimes be a question for the court and sometimes a question for the jury.

The facts stated in the inquiry are insufficient upon which to judge whether a washing machine, vacuum sweeper or ironer come within the operation of this rule, and the inquirer should obtain an opinion from its own attorney after a full statement of the facts.

### Retail Credit Methods on a Sound Basis

**N**OTWITHSTANDING the frequent failures among retail establishments due to unwise credit policies, the retail credit structure of the country as a whole appears to be on a solid foundation, Dr. W.

## The Papers Were There But the INK Had Faded Away



**Writes Bright Blue  
Turns Jet Black  
NEVER FADES**

**INK  
that FADES**  
Has No Business  
in Business

*Important Records are  
Usually Written with*

**SANFORD'S  
PREMIUM WRITING FLUID**  
*"The Ink That Has Defied Time for 70 Years"*

C. Plummer told the seventeenth annual convention of the recent National Retail Credit Association at Nashville.

Dr. Plummer, a recognized authority on credit subjects and a professor of economics at the University of Pennsylvania, is temporarily attached to the Department of Commerce for the purpose of directing a nation-wide survey of the retail credit situation in all its phases. This investigation was begun at the request of the National Retail Credit Association and is being carried on with its active co-operation.

A vast fund of data relating to all lines of retail selling has been received in the Department of Commerce and is awaiting compilation and analysis. In order to present to the business public the information available with the least delay, a preliminary report has been issued which covers 440 department stores, 339 automobile dealers and 1,097 independent grocery stores, the returns on which had been received up to the middle of April. These retail establishments in 1927 did an aggregate business of more than a billion and a half dollars. For many purposes, Dr. Plummer pointed out, the results shown in this preliminary report may be considered to represent fairly the respective types of retail trade discussed, although for others it is desirable that a greater number be analyzed.

Referring to the proportion of credit to cash sales, Dr. Plummer said the available information showed that two-thirds of the automobile dealers' sales, more than half the grocery sales, and about a third of the department store sales were made on a credit basis. The average bad debt loss reported in these three lines of retail activ-

ity was relatively low. For the department stores it was only 0.4 per cent. on regular charge account sales and about 3 times that figure or 1.1 per cent. on installment sales. The automobile dealers showed a situation exactly the reverse, losses on open accounts amounting to 0.9 per cent. as compared with 0.4 per cent. on installment sales. The grocery stores which did a credit business reported a loss from bad debts on charge accounts of 0.6 per cent.

The wide-spread use of credit bureaus and the extensive employment of finance companies by automobile dealers are two outstanding facts disclosed by the credit survey to date. Approximately 90 per cent. of the department stores, 80 per cent. of the automobile dealers and 70 per cent. of the grocery stores reported using credit bureaus. Eighty-five per cent. of the automobile dealers covered in the preliminary report stated that they used finance companies in handling their deferred payment accounts.

Standard terms of sale, the survey revealed, are almost universal among automobile dealers. Ninety per cent. of these dealers require at least one-third down payment and more than 80 per cent. limit the life of the installment account to twelve months or less.

That installment selling is increasing among department stores is indicated by the returns received. These showed that between 1925 and 1927 installment sales increased more than 15 per cent. as compared with 6.7 per cent. for open credit sales and 0.2 for cash sales. Installment sales, however, represent only 6 per cent. of the total volume of business.

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## Agricultural Credit

(Continued from page 8)

credit for a term of from three months to a year is needed.

"Only a rough estimate can be given of the total volume of farm credit, but it would be safe to place it above twelve billions a year. Of this amount, about eight or nine billions represent mortgage and long-term credit and the balance of three to four billions is short-term and intermediate credit.

### Farm Credit Sources

"The sources of farm credit are banks, trust companies, individuals, manufacturers, merchants, insurance companies, and special agricultural credit institutions.

"Is the farmer a good credit risk? Is the cost of farm credit in the broadest sense unusually high, and if so, why? These are the questions generally asked when the agricultural situation is approached from a credit angle.

"There are many factors influencing farm credit risk which readily suggest that no legislative magic can definitely stabilize farm credit. In some regions frequently adverse climatic conditions force an element of great uncertainty into the situation. Droughts, storms, and floods make bank loans and merchant credit extensions highly dangerous in such regions. It is not surprising then that credit costs in these regions tend to appear exorbitant. In the more favored agricultural sections — and these embrace a large percentage of our farming area — agricultural loans when extended with proper discrimination compare favorably with many classes of commercial loans."

Following this description Secretary Hyde was asked to outline the major improvements in agricultural credit facilities that are leading to a healthier economic condition. He said:

"Analyses of short-term credit in certain sections have shown that except in those cases where cash credit facilities are inadequate, the farmer can reduce the cost of short-term credit by qualifying for lines of credit from banks or other cash lenders. Even a high bank rate is cheap compared to store credit obtained at a cost of 30 per cent. when figured on annual interest basis. This percentage is not an upper limit, but an average for considerable areas. Happily stud-

ies in three cotton States where high cost store credit has always been a serious problem indicate that a change toward cash loans is in progress. In 1923, for example, 29 per cent. of the credit used by farmers interviewed was cash credit and 71 per cent. was store credit. Similar studies in these States in 1926 indicated 62 per cent. cash credit and 38 per cent. store credit.

"The Federal land banks, joint stock land banks, and the intermediate credit banks, by providing an easy and open avenue of contact between money centers on the one hand and agricultural sections on the other, have done much both to equalize and reduce the cost of farm credit in the United States. Naturally the agricultural sections which were most remote from investment centers and which, as a result, had the highest interest costs, have profited most from the intervention of these agencies. These facts have been definitely established by studies conducted by our Division of Agricultural Finance. By these credit studies considerable light is being thrown upon current credit conditions. They are bringing out the relation of the amount and terms of borrowed funds to the source and purpose of credit as well as to the type of farming.

"These relationships I shall now dwell upon, but I want to stress one problem in farm credit that is likely to be with us for some time to come, if not indefinitely. This is the danger of over-extension of credit following a season of good farm returns. Banks and other credit agencies then have ample funds and borrowers and lenders are optimistic about the future. Easy credit at such times, when the farmer really needs it least, intensifies the depression which comes when the crop fails to meet expectations. It also tends toward drastic restriction of credit at the time of greatest need, as in 1921. This problem is one which calls for a more far-sighted use of credit on the part of both lenders and borrowers."

During the past year, I have asked between fifteen and twenty industrial and business leaders what they considered the underlying forces contributing to this country's general progress and prosperity. Invariably, *research* was given as one of the chief elements.

Secretary Hyde believes that research, followed by education in the results of research, is the giant power

arising in the agricultural industry—a Hercules just yawning as he awakens from a long economic sleep and prepares for a future of great activity and development.

"Through research", the Secretary said, "farmers have been provided with information useful in deciding what to produce and when to market their products. The public has been given data extremely useful in working out national agricultural policies.

### The Value of Research

"Some of the more important accomplishments of the past year have been: the collection of more extensive information as to crop and market conditions in the Orient, the movement of vegetables from Mexico, the market prospects in continental Europe and the construction of index numbers of prices of commodities which farmers purchase. Progress has also been made in price analysis and in the use of results of price analysis in production and market-outlook statements.

"As foreign competition and demand increasingly affect our agricultural conditions the value of research in keeping the farmer informed of these influences is enhanced tremendously. The Department maintains offices in Europe and the Orient for a reporting service on foreign agricultural products and prospects.

"Historical research continues to be directed toward the collection of information for use in the analysis of causes of shifts and changes in agricultural production and income. The results of the research program thus far provide the basis for an agricultural prognosis which discloses the fundamental remedies that must be put into effect to bring permanent relief to the farmer."

"How do you rank the importance of co-operative marketing in the agricultural situation?" I asked.

"Greater progress in co-operative organization among farmers has been made during the last ten years than during any other period in American agriculture", the Secretary answered. "There has been noteworthy improvement in the legal status of co-operatives, in organization set-up, operating technique and business efficiency.

"From a concept of co-operation which was little more than a realization of a pressing need for changes in the marketing system there have been organized thousands of small lo-

cal associations and hundreds of large co-operative marketing and purchasing associations owned by farmers.

### Efficient Selling

"Co-operative marketing of agricultural products and purchasing of farm supplies has now reached the practical business stage. Financing, management, and marketing policies receive scientific and practical consideration. Research has brought out not only the strength of co-operative marketing but its limitations as well. One principle emphasized through this co-operative work is that *agriculture requires efficient selling as well as efficient production*. Co-operative marketing up to this time has been the chief influence in the standardization, handling, processing and packing of farm commodities. The adjustment of output to market conditions is also helping the farmer to plan his production schedules successfully in conformity with sound economic laws".

"The entire problem of agricultural relief is exceedingly broad and ramified", I remarked, at the same time asking the Secretary to give me a general summary of the principles of farm relief.

"Agricultural improvement requires a combination of individual efficiency, co-operative enterprise and wise public policy. The same principles requisite to success in industry and trade are applicable to agriculture. Wastes must be reduced in production and distribution, markets expanded and developed, new uses discovered for agricultural products, further development made in co-operative work, and Government aid invoked in research and education.

"A great deal can be done for agriculture through indirect Government assistance. Advantage can be taken of the extensive data regularly published by the Department of Agriculture. Much of this information is indispensable to a satisfactory adjustment of production to marketing requirements.

"The big task is, by legitimate means and sound methods, to help the farmer to direct toward his industry an increased and equitable share of the nation's income.

"To this end the farmers' production and marketing costs must be reduced wherever possible. *Wasteful and costly sources of needed credit*

*must be replaced by sounder and more economical sources.* Any unjust tax burdens on farm property must be alleviated, and equitable methods of spreading the tax burden substituted. Shipping costs must be reduced by efficient water transportation, wherever practicable. Merchandising and distribution methods must be improved so as to give the farmer a more substantial share of the consumer's dollar. Needless gluts in the market with unwarranted slumps in prices must be eliminated by more scientific adjustments of offerings to meet seasonal and local demands. Effective

agricultural organization giving the farmer a control over his own products more nearly corresponding to that exercised by other industries, must be encouraged and supported."

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Out-of-Town Office—Woolworth Building

*New York*

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## Diamonds or Pebbles

(Continued from page 12)

bility of persuading that type of person to accept the values of citizenship than it is to court the danger of assimilating the lower type whose naturalization can be secured by organized political machines.

One of the prime essentials of American citizenship is education, and education must have the right kind of material to work with. Peoples' minds are like diamonds and pebbles, some can be cut and polished into gems while other will always remain pebbles. We have enough pebbles in our country now without importing more. America must import no more pebbles—it must select diamonds.

The Bible gives us a classic example of race purification and social selection. When the people of the world had grown dangerously degenerate God determined to repopulate the world by destroying every living being except one family of sturdy, hard working, iron-principled stock.

Noah was then instructed to select the best male and female of each animal species and bring them into the ark. God, the Bible emphasizes, wanted a world of better people and His method was to preserve the best and destroy the others.

American history is replete with the stories of distinguished and substantial immigrants who have added to the Nation's greatness. John Jacob Astor, August Belmont, Alexander Graham Bell, James Gordon Bennett, Andrew Carnegie, John Ericsson, John W. Mackay, Carl Schurz—the list might be continued indefinitely.

These outstanding exceptions prove the rule of our immigration policy. They were diamond minds. Our tests of fitness for the immigrant embrace native character, native ability to respond constructively to this country's environment, and the capacity to absorb our principles of citizenship and standards of living.

We want the beaver-type of man—the intelligent, industrious builder. We must keep out the others. Selective immigration safeguards the gates of our country. It is the first line of defense for social and economic progress. The motto of every business

man in lending his influence or interpreting our national problems should be — "Selective immigration — or none."

## The Business Library

(Continued from page 2)

zation and operation of the business in order to learn exactly what transactions occur and what adjustments are demanded.

4. On the basis of this survey it is possible to plan the ledger, the books of original entry, the primary records, and the statements in harmony.

5. Standard forms should be used wherever they are practical because they are most economical.

6. Special forms should be on standard-size sheets.

7. Forms should require a minimum of writing, and should ask for no data which does not have a definite use.

8. Every system should be planned so elastically as to allow for change without abolition.

## The Investment Trust in America

INVESTMENT TRUSTS—AMERICAN EXPERIENCE. W. H. Steiner. Adelphi Company, N. Y. 1929. 325 pp. \$3.00.

To arrive at a hard and fast definition of the term "investment trust" is a rather difficult matter, as is evidenced by the fact that the Attorney General of the State of New York, in the final draft of his proposed legislation (early in 1928) finally came to the point of completely avoiding any attempt at strict legal definition.

However, Dr. Steiner offers a working definition when he characterizes the investment trust as "an organization wherein investors co-operate by contributing, perhaps on different terms, to a common fund." By so doing, the investors expect to receive greater returns in relation to safety than they might be able to achieve as individuals. They seek, by means of the trust, to arrive at the best possible application of capital for the mutual benefit of those who are associated in the enterprise.

Investment science has, as Dr. Steiner clearly demonstrates, made great strides in recent years. It has called attention to the relative merits and disadvantages of the several classes of securities, as well as to the advantages of changing investments as financial conditions change. Common stocks bought auspiciously may be made to show substantial gains, although in declining markets the capital gains may be held by shifting to bonds. The small investor is, of course, not in a position to do this to advantage, but the investment trust can do it for him.

The salient features of the investment trust are described as five-fold:

1. It is an agency which combines the funds of many investors, in both large and small amounts.

2. It applies these funds to the purchase of securities.

3. It purchases securities for investment only and avoids the responsibility of direction or control of other companies.

4. It holds a variety of securities, in an effort to achieve diversification for the protection of both principal and income.

5. In most cases, the investment trust supervises the portfolio continuously, so as to achieve a good average yield and, at the same time, more or less incidentally turn over the securities held, in order to realize capital gains and avoid capital losses.

Dr. Steiner devotes a single chapter (Chapter II) to the rise of the investment trust idea in England and Scotland. The rest of the book is developed around the sub-title,—"American Experience."

As for the future, several developments are, in the opinion of Dr. Steiner, likely to appear. There will be a selective process, and a concentration of the bulk of the business in the strongest hands. As investment trust devices become better known and understood, there will be a greater standardization of trust practice with respect to structure, investment policy and distribution of income. And there will be a better understanding by the public and more careful and intelligent selection of investment trust securities.

This is a careful, discriminating study of an important financial problem of today. Its author, who has exceptional qualifications for the task, is associate professor of economics in the College of the City of New York, and a member of the recently organized Research Advisory Council of the National Association of Credit Men.

## N.A.C.M. By-Laws

NUMEROUS suggestions for changes in the proposed new By-Laws of the National Association of Credit Men as published in the May issue of the CREDIT MONTHLY were presented to the Committee in charge of the new By-Laws at the Minneapolis Convention. Some of these changes were of so comprehensive a nature that it was found impractical to give them the necessary consideration at the Convention.

Accordingly, at the suggestion of the Committee, the entire subject was held in abeyance for action at the Convention in 1930.

Further comments and criticisms on the By-Laws as published in the May issue of the CREDIT MONTHLY are solicited.

## Pardon Our Blushes

### They Ask for the Monthly

Both my assistants (in the Radio Corporation of America) always ask for the *CREDIT MONTHLY* to read after I am through with it and our assistant treasurer in charge of radiogram credits also expresses his interest in his request to me always to have it sent to him when we are done with it. I am sure that any credit man who reads the *CREDIT MONTHLY* can not help but receive material benefit.

C. G. TERWILLIGER.

New York.

### Scramble for It

One of the members of the Northern Wisconsin-Michigan Association of Credit Men, Mr. C. M. Stengel, Credit Manager of the McIntyre-Burrall Company, says that there is such a scramble for the *CREDIT MONTHLY* each month in his office that an additional copy would be useful, and has asked me to find out the cost of an extra copy each month.

C. W. SHEKEY.

Green Bay, Wis.

### Valuable Information

I have not received my copy of the *CREDIT MONTHLY* for June, and I am at a loss to understand why. If my subscription has expired, I should like to be notified, and I shall mail you a check immediately. I receive a great deal of valuable information from reading the magazine and I do not want to miss a single copy.

CARLOS W. JORDAN.

Los Angeles, Cal.

### New Idea Each Month

We [the Pacific Coast Biscuit Co.] receive the *CREDIT MONTHLY* every month with great expectation and always take great pleasure in reading it from cover to cover. The information contained in it and also in the letters sent out by Executive Manager Stephen I. Miller, is of great assistance and value to us. Each month some new idea is brought out whereby the Credit Department is enabled to operate more smoothly and to put more of a human touch into the credit situation.

THOMAS R. TOOLE.

Spokane, Wash.

### The Oil Industry

A NEW feature will appear in the August 1 issue of the N. A. C. M. Executive Manager's Monthly Letter. This will be a series of brief comments on various basic industries. The subject of the first comment (in the August Letter) will be the oil industry.

The Letter will carry, as usual, a personal message from Dr. Miller and the summary of conditions in one section of the country. The section studied this month includes North and South Carolina, Kentucky, Tennessee, Georgia and Florida.

## "GIVE US CREDIT"

A common request these days, one not always answered in the affirmative.

When an investigation shows a sound business, operated at a profit and protected in the Aetna Fire Group, then the answer to the request is "Yes."



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# One Month's Convictions

## May, 1929, Credit Protection Department, N. A. C. M.

CASE	INDIVIDUAL	CHARGE	SENTENCE
Louis Diamond New York City (Sporting Goods)	Louis I. Diamond	Concealment	1 year 1 day
Thomas Clayton Clayton Supply Co. Stem, N. C. (Gen'l Mdse.)	Thomas Clayton	Violation of Postal Laws	3 years in Atlanta Penitentiary
Blaney The Shoe Man Morgantown, W. Va. (Shoes)	Joseph A. Blaney	Concealment of assets	Fined the sum of \$450
Albert M. Gottstein Chicago, Illinois (Shoes)	A. M. Gottstein	Violation of Postal Laws	60 days in Kane Co. Jail. Fined \$250.00.
Morris Galitzky Topeka, Kansas (Gen'l Mdse.)	Morris Galitzky	Violation of Postal Laws	Fined \$500.00. Sentenced 1 yr. 1 day. (Suspended)
M. Goldstein & Co., 320 W. Jackson Blvd. (Dress Mfr.)	Max Goldstein	Violation of Postal Laws	60 days Cook Co. Jail. Fined \$500.00.
Henshaw Lumber Co. Antigo, Wisconsin (Lumber)	Clarence Te Selle	Violation of Postal Laws	1 year Milwaukee House of Correction.
E. O. Phillips & Co. Parkin, Arkansas (Gen'l Mdse.)	E. O. Phillips	Concealment of Assets	1 year 1 day U. S. Penitentiary, Chillicothe.
	Paul Phillips	Concealment of Assets	1 yr. 1 day Atlanta Penitentiary.
	Lewis Phillips	Concealment of Assets	1 yr. 1 day U. S. Pen., Chillicothe, Ohio
Barker & Swindle Oakman, Ala. (Gro., Meats and Feed)	Grady Swindle Felix Swindle	Concealment and Perjury Concealment of Assets	2 yrs. Atlanta Penitentiary Fined \$100.00 and 1 yr. Suspended Sentence.
Harry Franklin Milwaukee, Wis. (Men & Women's Furnishings)	Harry Franklin	Violation of Postal Laws	Fined \$500.00 and 8 months in House of Correction, Milwaukee.
Chas. H. Wyman Cleveland, Ohio (Shoes)	Chas. Wyman	Concealment of Assets	3 months Dayton Work House
Thornton's Ready to Wear The Leader Merc. Co., Inc. Smackover, Ark. (Gen'l Mdse.)	A. L. Weiss	Violation of Postal Laws	18 months Leavenworth Pen.
A. H. Polipnick St. Cloud, Minn. (Dry Goods & Women's Wear)	A. H. Polipnick	Violation of Postal Laws	3 yrs. Leavenworth. (Suspended) (Restitution to be made)
American Radio Co. Kansas City, Mo. (Radio)	Harry Schwartzberg	Contempt	Ordered Committed to Jackson Co. Mo. Jail
Abe Raffles Chicago, Illinois (Men's Furnishings)	Abe Raffles	Violation of Postal Laws	Fined \$100.00
Holleb Dept. Store Chicago, Illinois (Dept. Store)	Meyer Holleb	Violation of Postal Laws	Fined \$350.00
R. E. Hopson Louisville, Ky.	R. E. Hopson	Concealment of Assets	1 yr. 1 day in Atlanta Pen.
American Underwear Co. Detroit, Michigan (Underwear)	Chas. Faris	Conspiracy to conceal assets	2 yrs. Atlanta Pen. Fined \$5,000.00
Martin Gordon Clo. Co. Cleveland, Ohio (Clothing)	Sam Seigel Louis Seigel	Violation of Postal Laws Violation of Postal Laws	10 months Dayton Workhouse. 4 months Dayton Workhouse

(See next page)



(See previous page)

Modern Disinfectant Co. Carmi, Illinois (Chemicals)	J. A. West	Violation of Postal Laws	2 years Leavenworth Penitentiary
Emil Moroni Johnson City, Ill. (Furn. & Gro.)	Emil Moroni	Concealment of Assets Violation Postal Laws and Internal Revenue Law	4 years Leavenworth Penitentiary
Mohamed Joseph & Samuel Joseph Chicago, Illinois (Gen'l Mdse.)	Mohamed Joseph Samuel Joseph	Concealment of Assets Concealment of Assets	30 days Lake Co. Jail 60 days Lake Co. Jail
Herman H. Thompson Portland, Ore. (Pianos)	Herman H. Thompson	Use of mails to defraud	2 years McNeil Island, Washington Pen.
R. W. Taylor, Los Angeles (Carpets & Linoleums)	R. W. Taylor	Concealment of assets from Trustee in Bankruptcy	Fined \$1,500.00
Total of 732 Convictions from June 1, 1925 to May 31, 1929			

### Bankruptcy Act Criticized

(Continued from page 18)

Act has also forced the judges in the second Judicial District to concentrate all receiverships in the hands of a single banking institution. This is a frank attempt to treat bankruptcy salvage as an administrative and not a judicial function; to put it and its entanglement with patronage and favoritism out of the courts as far as possible under the present law; and to obtain the economies and the increase in skill and integrity which comes from concentrating management and responsibility in a single competent and trustworthy authority.

This device, while not contrary to the statute, bears no resemblance to the methods which the statute contemplates and which are still in use elsewhere. That the device is steadily winning its way into public confidence and approval shows how fallacious were the methods which formerly prevailed and the principles of the Bankruptcy Act which those methods were supposed to reflect.

### Know Your Business

"THERE are no rules that will help a man who doesn't understand his own business to write good letters," says William E. Barrett in Association News, published by the St. Louis Association of Credit Men, "but there is no knowledge under the sun wasted when a broad-gauge business man sits down to the task of getting results by mail."

## Ask Those Who Use It

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**A**N article under the title "What Price Bankruptcy—A Plea for Friendly Adjustments," appeared in the June, 1929, issue of the Cornell Law Review, Ithaca, New York. The author, Thomas C. Billig is a fellow of the Yale University Law School. He has made a comprehensive analysis and comparison of the methods and results of the administration of insolvent estates in bankruptcy and by the Adjustment Bureaus of the National Association of Credit Men. Coming from a wholly unbiased source, this article will prove of particular interest to members of the National Association of Credit Men and to the business world as a whole. Mr. Billig concludes:

The chief purpose of bankruptcy legislation is to furnish a method for liquidating the estate of an insolvent debtor and distributing the assets to his creditors. Therefore, the results of bankruptcy administration are best demonstrated by the figures furnished in the Attorney General's Report of Bankruptcy Proceedings. [See the CREDIT MONTHLY, February 1929.] These reveal as an outstanding thing a very low percentage of distribution to creditors in proportion to their liabilities. It is the factors operating to produce this result that constitute the chief counts against the bankruptcy system. They are the marketing problem, the fee problem, and the non-coöperation of creditors in the adjudication.

On further analysis these three problems reduce themselves to one major defect in theory and two outstanding faults in practice. The theoretical flaw is simply that bankruptcy regards the whole matter of insolvency as a legal and not primarily an economic problem. The practical faults are (1) high cost of administration, and (2) loopholes for fraud. Under each of the latter two lies the common cause for both—an unwieldy and cumbersome technique.

Apparently, then, the objects of bankruptcy legislation are not met in our present bankruptcy administration—at least not in such a manner as to serve the needs of the business community. This is demonstrated not only in the non-coöperation of creditors in bankruptcy proceedings, but also and more forcibly in the fact that the commercial world has worked out a system of its own for dealing with the insolvent debtor—namely, friendly adjustment.

When we apply the same analysis to friendly adjustment that was applied to bankruptcy, we find (1) that its objects are practically the same as those of bankruptcy and (2) that, contrary to bankruptcy, it is meeting the pragmatic test by functioning well. The statistics furnished by a representative group of approved adjustment bureaus show that, on the average, creditors receive five times the amount of dividends they do in bankruptcy and at about half the cost.

Theoretically, friendly adjustment, in contrast to bankruptcy, rests on the true concept that insolvency is about nine-

tenths an economic problem and one-tenth a legal one. Practically, friendly adjustment eliminates the high cost of bankruptcy, because a simplified technique stipulates for only one fee, that received by the bureau, and the same simplified technique reduces to a minimum the possibility of fraud.

In other words, bankruptcy, because it is a costly, technical, cumbersome system, founded on a false theory, is failing to carry out its major purpose. Friendly adjustment, an extra-judicial means, because it is a simple, inexpensive procedure founded on a true theory, is at present serving a large part of the business world as a bankruptcy court.

What, then, is the remedy for the present unfortunate condition of bankruptcy administration? The first step, as in the progress of any reform, is in arousing public sentiment to a realization of existing conditions. In this respect, substantial progress has apparently been made by the instigation in New York City of a general public inquiry into bankruptcy evils. The courageous stand taken by the public press in the whole question has been largely responsible for the extension of public interest beyond the confines of New York City. Already there have been two Congressional committees appointed to investigate special phases of the New York situation, and on April 23 a resolution was introduced into Congress, directing that the United States Attorney-General be asked to aid the New York investigation. Whatever the immediate result may be, all these things bid fair to make the demand for reform nationwide.

One of the most favorable aspects in the investigation now under way in New York City is that the federal prosecutor has the co-operation of the bar associations and the National Association of Credit Men. This combination of the legal and economic elements is, in my estimation, an essential factor in any proposed change in our bankruptcy law, for, if legislation is really to serve the business community, the practical business man's point of view must be taken more largely into account than it has been in the past. In fact, the co-operation of both lawyers and business men is absolutely necessary for working out the various aspects of the market problem and the fee problem that are present sources of difficulty.

**George K. Smith**

**N**EWs has reached the CREDIT MONTHLY that George K. Smith, who was a National Director of the N. A. C. M. from 1908 to 1912, died last month in Eastham, Virginia.

Mr. Smith represented the Simmonds Manufacturing Co., of Fitchburg in New Orleans, and was an active member of the New Orleans and the National Associations of Credit Men. He had a wide circle of friends in the National Association.

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AUGUST, 1929

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## Risk in Credit

(Continued from page 14)

in periods of excessive income. Ordinary life is the most used of all forms. Endowment life is employed specifically where a concern wishes to meet a known obligation at a definite time and to provide against the death of an insured individual before that time.

The more adequately the insurance maintained by a business meets its needs, the better credit risk it becomes. The fact that the management is able and alert is often indicated by the care with which it has filled its life insurance needs. The credit executive requires a fairly comprehensive knowledge of life insurance in order to determine the proper elements of protection, and effort expended to give himself the additional advantage of life insurance analysis as a supplement to general credit analysis will increase his grasp of credit management.

The third question to be considered is in regard to the premium payment. Many legal entanglements may result from haphazard premium payments. Premiums should be paid promptly and should be properly provided for in the budget. Premium paying habits often indicate what is to be expected from a company as to general paying habits.

## Designating Beneficiaries

The fourth consideration requiring analysis is the method of designating beneficiaries. The beneficiary should be so designated that he will receive the policy proceeds in the manner intended and, in the case of a trustee-beneficiary, with the restrictions, if any, agreed upon, so that it will be possible for the beneficiary in turn to distribute the proceeds in the manner prescribed. This guarantees that the plan determined upon will be carried out precisely, because the strength afforded by the other elements of protection is predicated upon the efficient administration of the proceeds.

Most agreements and assignments, made for the purpose of providing a further element of protection, are more technical and require a legal approach. The credit executive who expects to introduce finer perception and analysis into his work through a consideration of business life insurance will make full use of the invaluable advice of his insurance agent.

Methods may be employed in the

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analysis of life insurance such as are used in the appraisal of financial statements. The correlation of the two will broaden the scope and experience of the man whose business it is to pass on problems of risk.

Increasing emphasis is being placed upon the importance of business life insurance. The statement form used by several of the Federal Reserve Banks contains a query as to the amount of life insurance owned by the applicant for credit, and also requires information as to the beneficiary of such life insurance. The National Association of Credit Men regards questions as to a man's life insurance of vital importance on the financial statement forms that they recommend and approve. Commercial agencies are following a like procedure.

Business insurance is of value to an organization not only when death occurs, but from the moment the policy is issued.

John Wanamaker once said, "Twenty years ago I had a capital of about a half million dollars. I then realized that a business man with a half million of capital and a million and a half of insurance on his life would have better credit than one with a half million capital and no in-

surance—so I took the insurance. I now find that, trading on the credit it created, I made more profit than if the money which went into insurance had gone directly into my business."

This fundamental principle underlies the purpose of business life insurance. On the one hand it serves to reinforce and enhance a company's credit and create good will and faith in the management. On the other hand the credit executive secures invaluable protection for his risk and if he makes an accurate analysis of business insurance he is provided with a more scientific technique by which to reach his decisions.

## An Engine of Civilization

"THE mightiest engine of civilization is commercial credit," says a recent editorial in the Saturday Evening Post. "In the richest country in the world this engine takes on its greatest proportions. Control of this great prime mover and responsibility for its smooth operation are vested in the Federal Reserve Board and in its subsidiary regional boards. Their power is tremendous and their responsibilities colossal."

When writing to advertisers, please mention the Credit Monthly

## Resolutions of N. A. C. M. Convention

THE thirty-fourth annual convention of the N. A. C. M. went on record as unanimously approving the following declarations brought in by the Resolutions Committee of which David E. Golieb was chairman:

### TO MINNEAPOLIS

The National Association of Credit Men in convention desires to express to the Minneapolis Association of Credit Men a lively sense of appreciation for the cordial welcome, the hearty hospitality, and the unfailing kindness and courtesy which have made this convention so enjoyable and so inspiring.

The ladies attending the convention thank the ladies of Minneapolis and their committees for the many delightful items of entertainment thoughtfully provided for their diversion.

In leaving Minneapolis we bear away more than a happy remembrance of your tall buildings, fine hotels, and comfortable residences, your lakes and waterfalls, broad rivers and abundant natural advantages. We carry with us a new friendship for a splendid and gracious people.

### TO THE OFFICERS AND DIRECTORS

The year now closing has brought marked progress and achievement to the National Association of Credit Men. The accomplishments made have been in large measure due to the efficient and able leadership of our officers and directors.

The association has been extremely fortunate in having enjoyed the guidance of business executives of high calibre, whose ideals and standards have been so inspiring. We extend to them our sincere congratulations and hearty thanks.

### TO THE CANADIAN CREDIT MEN

Among the delightful co-operative ties increasingly enjoyed by this association is our friendship with the Canadian Credit Men's Trust Association, Limited.

With common hopes and interests, the two organizations are marching together in their efforts to improve credit practices and to promote the welfare of the credit fraternity.

We extend to our Canadian colleagues hearty greetings, sincere appreciation, and best wishes for their continued success.

### CREDIT WOMEN'S GROUPS

Notable progress has been made during the year by women's groups within the association. This movement, one of growing influence, has helped greatly in fostering our activities and should be given every encouragement.

### J. H. TREGOE

The thirty-fourth convention of the National Association of Credit Men sends to its old chief, J. Harry Tregoe, its warm affection and high regard, and expresses keen regret that he was unable to be present. The executive manager is requested to send a copy of this declaration to Mr. Tregoe.

### THE MINNEAPOLIS NEWSPAPERS

The active co-operation of the Minneapolis daily newspapers, the *Minneapolis Journal*, the *Minneapolis Star*, the *Minneapolis Morning Tribune* and the *Minneapolis Evening Tribune*, has been most

helpful and is sincerely appreciated by this convention.

### THE DAILY NEWS RECORD AND S. S. MAY

The activities of this association and the work of this convention, essentially of an educational nature, have been tremendously helped by generous publicity in the *Daily News Record*.

As in the past, this influential publication has been exceedingly kind and extremely helpful. Its city editor, Mr. S. S. May, ever alert, untiring and devoted to the interests of the National Association of Credit Men, is an outstanding personality at this convention.

To the *Daily News Record* and to Sylvester May the National Association of Credit Men expresses its deepest gratitude and heartiest appreciation.

### FEDERAL RESERVE SYSTEM

At this time when criticisms of the Federal Reserve Board are finding their way into the public prints, the National Association of Credit Men reiterates and reaffirms its conviction that the Federal Reserve System is the backbone of American prosperity, and decries any and all tampering with the Federal Reserve Act.

### BANKRUPTCY LAW

Since the organization of the National Association of Credit Men in 1896, it has consistently emphasized the necessity for a uniform federal system of bankruptcy. From time to time, as experience has demonstrated the need for amendments, the National Association of Credit Men has supported and advocated changes in the federal statute which it believed would strengthen the law and improve its administration.

Recent disclosures of corruption in the administration of the law in the city of New York, but serve to confirm the position which the Association has always maintained,—namely that the choice of the administering officer can only be safely entrusted to the creditors whose money is at stake in the proceedings, and that the use of receiverships as political patronage is certain to result in inefficiency and fraud.

The bankruptcy law contemplates but a single administration, and that by a trustee elected by the creditors. The tendency of the judges in some districts to entrust the liquidation of the assets to receivers of their own choosing is opposed to the theory and to the express terms of the National Bankruptcy Act.

Bankruptcy administration is primarily a business problem, and satisfactory results will never be attained until the practice has been simplified, the number of administering officers reduced, their duties consolidated, and unnecessary red tape and expense eliminated.

### LAW ENFORCEMENT

Having engaged for four years in an intensive campaign to eliminate the waste arising from credit fraud, and having developed in its Credit Protection Department a personnel highly trained in the detection of such frauds, the National Association of Credit Men offers its full co-operation to the President's Law Enforcement Commission, insofar as the work of the commission may be concerned with commercial crime.

In thus placing its resources and its experience at the commission's disposal, the association would respectfully call attention to the widespread and flagrant abuses

of the bankruptcy law, which have caused an atmosphere of suspicion to be attached to the whole process of bankruptcy. All too often perjury is practiced in bankruptcy examinations, and many bankruptcies are tainted with fraud.

The bar associations have shown their willingness to co-operate by enforcing strict professional discipline among members of the bankruptcy bar. It is felt that the abuses associated with bankruptcy administration merit the careful attention of the commission, since they are of profound importance to the country's business, and that the active interest of the commission would add impetus to the movement for reform.

### CREDIT EDUCATION

Business, mighty and complex, is daily becoming increasingly scientific; and the need for credit education becomes more and more vital.

The National Association of Credit Men in convention urges upon all local associations and their educational committees the importance of a definite and aggressive educational campaign covering classroom and home study in the subjects embraced by the National Institute of Credit.

It recommends in particular a study of credits and collections, economics, accounting, business English and business law, and advocates strongly the undertaking of problem study and practical credit research work.

### ADJUSTMENT BUREAUS

The results accomplished by the approved Adjustment Bureaus maintained by local associations of credit men in the administration and liquidation of insolvent estates is an inspiring example of efficiency and economy.

An agreement between a debtor and his creditors for the settlement of their mutual problems out of court is but an extension of the principle of commercial arbitration to the field of insolvency. Creditors and attorneys, who, for selfish reasons, interfere with the friendly adjustment of the estate of an insolvent debtor by filing, or threatening to file a petition in bankruptcy, or by insisting upon preferential payments, are enemies of sound business and should be subjected to the condemnation of all members of this Association.

Legal safeguards must be thrown around the friendly adjustment, thereby to insure to creditors the advantages of this efficient and modern method of salvaging the affairs of honest but unfortunate debtors. To the Committee on Bankruptcy of the Association we commend a study of this problem.

### CREDIT INTERCHANGE

Rapidly changing trade conditions affecting all branches of business have created new credit problems for which the satisfactory solution demands the highest credit skill and knowledge.

Credit information formerly accepted as a basis for the extension of credit will not suffice, for the credit files of today must contain complete, up-to-date information showing how successful the applicant is in meeting the new problems forced upon him.

The success or failure of a business enterprise in coping with present day competition is frequently well portrayed by its ability to meet its obligations, and this can often be determined by clearance of ledger information.

The National Interchange Clearance System of the National Association of

(Continued on page 45)



# Court Decisions and Washington Notes

Formerly Distributed as the *Vigilantia Bulletin* by the National Association of Credit Men

## BANKS AND BANKING. TRUST COMPANIES. EXECUTORS AND ADMINISTRATORS.

*Right of Consolidated Bank Uniting a State Bank and Trust Company and a National Bank to Act as Executor.*

The Worcester County National Bank was a consolidated banking corporation formed by uniting, on June 27, 1927, the Fitchburg Bank & Trust Company, a State institution of Massachusetts, and the Merchants National Bank of Worcester, a national bank, in accordance with the provisions of an Act of Congress. The state trust company had been acting as executor of the Legnard Estate, having been appointed by the Probate Court of Massachusetts. The consolidated bank presented a final account as to this estate purporting to cover the period beginning April 21, 1926, and ending February 9, 1928. Under the act, by virtue of which consolidation was effected, all rights, franchises and interests of the state bank in every species of property are deemed to be transferred to and vested in the national bank, and the national bank is to hold all property, franchises and interests "including the right of succession as trustee, executor, or in any other fiduciary capacity in the same manner and to the same extent as was held and enjoyed by the state bank". The act provided, however, that "no such consolidation shall be in contravention of the law of the state under which such bank is incorporated". The Supreme Judicial Court of Massachusetts held that the consolidated bank was not entitled to render an account as executor because a Massachusetts statute provides: "The charter of a trust company, the business of which shall on or after July 1, 1922 be consolidated or merged with or absorbed by another bank or trust company shall be void, except for the purpose of discharging existing obligations and liabilities". The court was of the opinion that the provision of the Act of Congress declaring that the right of succession as trustee, executor or in any other fiduciary capacity would vest in the consolidated bank was unconstitutional. This appeal was taken to the Supreme Court of the United States.

Held, that the consolidated bank was not entitled to render the account as executor, but the provisions of the Act of Congress were not unconstitutional as held in the state court. The provisions of the Act of Congress did not purport to transfer the office of executor from the state trust company to the succeeding national bank. It is the duty of a consolidated national bank after a union to apply to the Probate Court for its appointment as executor. The case should be remanded to the Probate Court for a proceeding by the petitioner as executor de son tort.

*Ex parte Worcester County Nat'l. Bank of Worcester, U. S. Supreme Court. Decided May 13, 1929.*

\* \* \*

## BANKS AND BANKING. CHECKS.

*Insolvency. Whether a Depositor Presenting a Check and Having it Credited to His Account on an Insolvent Bank Could Rescind and Proceed Against the Drawer.*

This was an action on a check given by defendants upon the bank of Georgetown on January 21, 1927. The check was properly presented to the bank for payment, endorsed by the payee, on the same day, while the bank was open for business, and at plaintiff's request passed to the credit of his deposit account, entered upon his pass book and charged to the account of defendants who had upon deposit sufficient funds to meet the check. Later on the same day the bank suspended business and was taken over by the State Examiner. Several days after the closing of the bank the check was returned to plaintiff. He thereupon brought this action against the drawers, claiming that by reason of the insolvency of the bank, to the knowledge of its officers, at the time of the deposit of the check by him, he was entitled to rescind the transaction, and be restored to the position occupied by him prior to the deposit, that is, to receive back the check and proceed against the drawers. Defendants in their answer contended that plaintiff had accepted the bank as its debtor and could look only to it. Plaintiff's demurrer to the answer was sustained. On appeal.

Held, judgment reversed. When the plaintiff presented his check to the bank and received credit therefor upon his deposit account, that constituted a payment of the check. It was the same as if the bank had paid the amount of the check to the plaintiff in cash, and he had immediately had the cash passed to the credit of his deposit account; in which event there could not be a doubt but that, of his own volition, the plaintiff established the relation of creditor and debtor between himself and the depository bank and must look to his debtor for relief.

*Boatright v. Rankin, et al., Supreme Court of South Carolina; decided May 14, 1929.*

\* \* \*

## SALES. INFANCY. DISAFFIRMANCE.

Hoffman, who was about twenty years of age, purchased an automobile on which he made a down payment of \$168.; for the balance of the purchase money he executed a negotiable promissory note with power of attorney to confess judgment annexed, the same being secured by chattel mortgage. The chattel mortgage securing the promissory note was made payable to Howard D. Beck, of whom the car had been purchased. After Hoffman became twenty-one years of age, he determined to disaffirm the contract and thereupon returned the car, or caused his mother to return it for him, to Mr. Beck. Held that nothing on the promissory note indicates that the Edson Company or Edson & Co., had become the owner of it, and it does not appear that Hoffman had any knowledge that it was the owner. An infant, either before or within a reasonable time after becoming of age, may disaffirm a contract not for necessities. In instant case, on electing to disaffirm, he caused the property to be returned, and he was not required to do any more than that. While the application for credit signed by Hoffman gives his age as twenty-four years, his testimony that he stated his age as twenty years and that the seller filled in the age as twenty-four years is uncontradicted. The trial court was in error in

holding that there was no defense to the merits of the case. Judgment reversed. Case remanded. *Hoffman vs. Edson Co., Ct. of Appeals, Ohio 6th Dist., Decided May 20, 1929.*

\* \* \*

## BANKRUPTCY AND INSOLVENCY. COMPOSITION.

Held that the undisputed evidence disclosed that the bankrupts published two financial statements which were materially false, and that credit was extended to the bankrupt firm on the basis of such statements. These facts would naturally bar the confirmation of the composition offer under the provisions of Sec. 12 D and 14 B-(3) of the Bankruptcy Act. It further appears that the father Joseph Gitnig was a domineering and dictatorial man, who directed his two sons to execute the statements, dictating the figures to be inserted. These facts, the referee was of the opinion, excused the sons from the legal consequences of signing and issuing these admittedly false statements, on which credit was obtained by the firm. The court cannot concur in this conclusion. The conduct of these bankrupts showed such an utter recklessness and indifference to the facts of the case that they ought not to be permitted to hide behind their dead father. They both admitted that they made no examination of the books of the firm which were at hand. Confirmation of composition reversed. *Woolen Corporation of America vs. Gitnig, U. S. C. C. A. 3rd Cir.*

\* \* \*

## MORTGAGES, CONDITIONAL SALE. TITLE.

Defendant 1165 Fulton Avenue Corporation, owner of an apartment house, purchased a quantity of gas ranges from defendant Charles Tisch, Inc., under conditional sale contract which reserved title therein to the seller and placed them in several apartments of the building. Thereafter defendant owner executed and delivered to plaintiff a mortgage upon the apartment house premises, to secure repayment of a sum of money borrowed from her. The question is: Did the mortgagor have title to the gas ranges, so that they became in part the subject-matter of a mortgage executed by it, which covered not only a building owned by the mortgagor but all articles of personality attached thereto. Held that the answer is found in the provisions of section 65, Personal Property Law. The mortgage was taken by plaintiff without knowledge of the provision of the conditional sale reserving title, prior to the time when the contract had been filed in the appropriate public office. The plaintiff was, therefore, within meaning of section 65, a "purchaser" who "without notice to such provision" purchased the gas ranges before the contract for their sale had been filed. Consequently, as to plaintiff, the condition reserving title was void and the mortgage upon the chattels given to her created a lien upon the ranges in possession of the mortgagor, as fully as would have been the case had absolute title thereto been acquired by it. Reversal of order to pay claim of Charles Tisch, Inc., affirmed. *Cohen v. 1165 Fulton Avenue Corp., et al Ct. of Appeals of N. Y. Dec. May 28.*

## Banking and Banks

## CHECKS. PREFERENCE.

Where a bank, acting as collection agent only, receives and accepts in payment of a check, held by it for collection, checks on itself drawn by its own depositors, which checks are good and are duly debited to the accounts of the makers, held that it stands in the same position as if it had received payment in cash. By retaining the funds so received and failing to pay the checks so collected by it, the assets of the bank are augmented and a right to a preference is created. *Bauch vs. Veigel* Sup. Ct. Minn., Dec. June 21st 1929.

\* \* \*

## CHECKS.

Plaintiff was a depositor in defendant bank. He drew and delivered to the payee a check on his account. The next morning before the check had been presented for payment, he executed and delivered to the teller of the defendant bank a "stop payment notice." Five days later the check was paid by defendant bank and amount charged against plaintiff's account. Held that undoubtedly the drawer of a check which has not been certified has a legal right to stop payment thereof by giving a seasonable stop payment notice to the bank upon which it is drawn, and if the bank thereafter pays such check it is liable to the drawer therefor. That is the bank's common-law liability. The plaintiff, in effect, notified the bank that he had given a check which was valid but had changed his mind and did not want the check paid. He said, however, in effect, "If you (the bank) do pay it through inadvertence, I will not hold you responsible." He had a legal right to serve such a notice qualifying the bank's common-law liability, and when the bank paid the check, after receipt of such notice, it did not become legally liable to the drawer in absence of evidence of wilful disregard of the notice. Judgment for plaintiff reversed. *Gaita vs. Windsor* Bank Ct. of Appeals N. Y.

\* \* \*

## CLAIM. SALARY. PRIORITY.

Appeal by trustee in bankruptcy from order giving priority of distribution to a claim under sec. 64, Bankruptcy Act. Claimant was secretary of the bankrupt corporation; owned one-third of its capital stock and with two others, who owned a like amount of stock, controlled the corporation. The salary of claimant for the week just preceding the filing of the petition in bankruptcy is involved in this appeal. His relationship to the bankrupt was that of a one-third owner who contributed his services under no definite arrangement except that he should be paid each week an amount equal to that paid each of the two others who had an interest equal to his. Held that his claimed right to be paid this agreed amount in full, as wages entitled to priority and to have creditors share what is left, would subordinate substance to form and give exaggerated importance to a mere corporate shell. Sec. 64 of the Bankruptcy Act was never intended to bring about such a result. Judgment reversed. In re *Progressive Luggage Corp.* U. S. C. C. A. 2nd Cir. (N. Y.) Dec. June 17th 1929.

\* \* \*

## NOTES.

Where a buyer of an automobile gave a note for part of the purchase money payable to a person or order, and such note,

together with the conditional contract of sale reserving title for security of the purchase money, was transferred to a third person for value without notice, held that defences existing between the buyer and the original seller growing out of alleged defects in the automobile were not available against the bona fide purchaser who had acquired the note before maturity for value. *Commercial Credit Co., vs. Summers* Sup. Ct. Miss., Dec. June 3rd 1929.

\* \* \*

## WASHINGTON NOTES

These notes are supplied by George C. Shinn, Wilkins Building, Washington, D. C.

## Unscientific Methods in Credits

The Department of Commerce recently issued a bulletin calling attention to the fact that there is too much leniency in granting credit, both by the wholesalers and retailers, which is the chief factor responsible for failures among independent grocers. The statement is made after a study of the Louisville retail grocery stores.

The bulletin, among other things, says that, in conducting the survey, 451 retail grocery stores were examined, as well as the causes contributing to the condition of 30 stores found to be on the verge of bankruptcy. These 30 stores as a group were found to have an average credit loss several times as great as that of the remaining stores analyzed.

The average credit loss for a well-conducted grocery store, it is pointed out, is something less than one-half of one per cent. Computing a credit loss ratio for each store by taking the ratio of bad debts to total cash and credit sales, five of the Louisville stores studied were found with losses ranging from 13.4 to 33.8 per cent. Easy credit alone was enough to put these five stores out of business while in the case of 12 others of the "prospective" bankrupts, lax credit policies were a major contributing factor. Easy credit from wholesaler to retailer was also found to play an important part in retail grocery failures.

An examination of the liabilities of those Louisville retail grocers who had actually failed and whose accounts had gone through the courts afforded strong proof of unscientific credit methods, according to the bulletin. One grocer failed owing more than 50 creditors, most of them wholesalers, jobbers, and manufacturers; another owed about 40 creditors, among them wholesalers with bills of \$400 and \$500 each. Of course, this lax credit system is by no means universal among wholesalers, as wide differences in credit policy were disclosed by the investigation.

Among factors other than credit which played a part in the failures examined were chain-store competition and inexperience, although these were of minor importance. Where dishonesty entered into the bankruptcy situation it was found to be a result rather than a cause. A surprising fact brought out in the survey was not that the merchants who failed lacked experience, but that a number of them should be on the verge of bankruptcy after having weathered the storms of actual business for periods ranging from ten to twenty-five years.

## A High-Handed Creditor

THE Szemzo case has caused quite a stir in Vienna. Joseph Szemzo, descendant of an old Hungarian family and notorious gambler for high stakes, will be brought to trial in Vienna for the attempted murder of two Viennese, who owed him large sums of money, one in the form of a gambling debt of \$300,000. Szemzo is said to have had bombs planted in the homes of his two debtors.

Some years ago, Szemzo figured in another case involving credit, but this time in the position not of creditor but of debtor. Two of his creditors who visited his ancestral castle in Hungary to ask payment, were taken to the underground chamber, beaten up and thrown out. They sued Szemzo and he was forced to pay huge indemnities to his victims.

This story of Szemzo's high-handed treatment of his debtors and creditors was run in the Sunday World Magazine recently under the heading, "A 20th Century Robber Knight."

## The Big Stick

IN a collection letter to one of its debtors, a Seattle concern playfully suggested that the debtor "hit someone over the head for another \$20 to send them." The suggestion worked, for two days later the company received a check together with the following letter:

"Gentlemen:

"Yours of 18th at hand. Your virile suggestion re: club and head was received in a punitive, rather than a judicial mood. Seizing the suggestion, we grasped a 'blackthorn' and headed for the tall timber in search of a victim. One was found, whereupon the 'thorn' was applied with vigor. At the first 'crack' he produced a twenty. Imbued with this manifestation of the spirit of progress, we whammed him again, and he exuded into our waiting hand a like amount. Emboldened at this, we again essayed to repeat, but our eagerness overcame our aim, resulting in only a glancing blow which brought results of only \$13, odd. Superstition decreed that we desist at once.

"In other words we sold for cash one MR61, for \$53.41, for which check is enclosed."

## N.A.C.M. Resolutions

(Continued from page 42)

Credit Men has, through its seventeen years of constructive service, demonstrated its ability to furnish ledger information and has built up an organization which is thoroughly efficient and reliable.

The annual report of the Interchange Bureaus Department shows progress. The Central Bureau for the first time closed its year on a self-supporting financial basis and with an increased membership. A still wider use of the Interchange is necessary if present day credit problems are to be solved. Not only is it necessary that those outside of Interchange be brought into the system, but the members now having its benefits should be encouraged to make more liberal use of the service.

Mass production seeking outlets is making an ever widening circle of distribution contacts, detracting from the value of purely group interchange. Drug stores sell electrical goods, toys, food products, etc.; shoe stores sell hosiery, neckties, and ladies and men's furnishings, and so on ad infinitum. For this reason the credit man of a drug wholesaler or manufacturer, or of a shoe factory, who depends solely upon ledger information received from his own group, may later find that the slow pay condition which preceded failure existed outside of his own particular group. This condition, which is one of the most important of the new credit problems created by present day merchandising methods, suggests at once the absolute necessity of tying up all group activities definitely and without reservation or exception with the National Interchange Clearance System.

Developments in business service have placed a new duty upon the credit executive, demanding ability to assist his customers toward success. By showing where business service is needed, the Interchange report has a new value of first importance.

This applies with equal force to Foreign Credit Interchange. The underlying principles are the same. It is therefore recommended that both the foreign and domestic interchange systems be wholeheartedly supported by our members so that these departments may be strengthened and expanded in the interest of all.

## THE RETURNED GOODS EVIL

The business abuse known as the returned goods evil is becoming an increasingly serious distribution problem for the credit executives of manufacturing and wholesale distributing concerns.

More merchandise is being returned by merchant-customers today than was returned several years ago because in nearly every line of business a strong buyers' market exists.

The distributors' complaint is against the unwarranted and unfair return of merchandise.

It is the belief of this convention that the wise procedure for the distributor is to eliminate the causes of the unfair return of merchandise. This procedure entails, first, a sales policy based on the principle that a customer should not be induced to take more goods than he can handle; and second, careful credit analysis so that payment for the merchandise may be reasonably expected.

The task of dealing with the returned goods evil narrows to consideration of the nature of the goods sold, terms of payment, style, seasonability, perishability, and other sales and credit policies which may affect the individual account.

Dealing with the offender, if he cannot be cured by the application of other remedial measures, is a task demanding con-



## Service — an abused word

No word in the English language is so worked to death as *Service*. In nine times out of ten it means promise without performance.

With us it means that in thirty odd years, \$175,000,000 have been paid out in claims.

### United States Fidelity and Guaranty Company

With Which Is Affiliated

### Fidelity & Guaranty Fire Corporation

BALTIMORE

MARYLAND

Over 8,000 Branches and Agencies in United States and Canada

centrated personal attention. Unless an appeal to reason, to fair play, to mutual benefit, leads to a condition by which the debtor keeps his goods and pays for them, the account should be considered unprofitable and no further credit should be extended.

## COMMERCIAL ARBITRATION

The National Association of Credit Men again endorses the aims and efforts of the

American Arbitration Association in promoting legislation in behalf of commercial arbitration.

To its local associations in those states which have not yet adopted the proposed uniform arbitration act, it suggests that this important legislation be actively supported and its prompt enactment urged at the next session of the legislature.

## Advertising Is a Potent Force in Establishing Credit, Says Investment Banker

ADVERTISING is a potent force in the establishment of credit, according to the investment banker, A. E. Bryson, vice-president of Halsey, Stuart & Co., Chicago. In a recent address to the Engineering Advertisers' Association, printed in *Class and Industrial Marketing*, he said: "The utilities constitute an industry where there is a very large capital investment, and a very rapid growth, particularly during the last ten or fifteen years. The demand for their services almost certainly exceeds the growth of the communities which they serve."

Mr. Bryson then goes on to say:

"These organizations sensed that

situation and, anticipating the growth which has since developed, they went out of their way aggressively to establish good will among the people upon whom they had to depend for credit. Through customer ownership campaigns, through well directed advertising, through other means, some of which have since been criticized as being a bit too energetic, they did succeed in establishing themselves very well in the minds of the investing public. The result has been that today the public utilities are perhaps in a stronger position as borrowers than almost any single industry."

When writing to advertisers, please mention the Credit Monthly



# Naturally

Collection work is most efficiently done through a nationwide network of expertly managed bureaus, closely co-ordinated and centralized for maximum efficiency.

When you use the collection facilities of the National Association of Credit Men, through its Adjustment Bureaus network, you get this uniformly strong service, in your own city or across the continent.

And the procedure is simplicity itself.—You merely send your claims to the bureau nearest to you. If the debtor can be reached locally, the bureau will handle the claim direct. If he cannot be reached locally, the claim will be forwarded, to the proper distant bureau.

No matter where it goes in the National system, capable conscientious collection experts handle it *right*.

*This service costs no more than ordinary collection service, and is available from the bureaus listed on the opposite page.*

## ADJUSTMENT BUREAUS DEPARTMENT

National Association of Credit Men

One Park Avenue, New York

# APPROVED ADJUSTMENT BUREAUS

as of July 1, 1929

The services offered by each of the Bureaus listed below are indicated by symbols which appear after each listing, as follows:

A—Assignments

B—Bankruptcy Claims Representation

C—Collections

P—Personal Contact Service

R—Receiverships

T—Trusteeships

Consider our Adjustment Bureaus as a part of your Credit Department.

**CALIFORNIA—Los Angeles**—Wholesalers Board of Trade, 800 Board of Trade Bldg., F. C. Delano, Mgr. (AB)  
Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the Los Angeles Association of Credit Men.

**Oakland**—Adjustment Bureau of the Oakland A. C. M., 627 Central Bank Bldg., K. S. Thomson, Mgr. (ABCPRT)

**San Diego**—Wholesalers Board of Trade & Credit Association, 573 Spreckles Bldg., Carl O. Retaloff, Mgr. (ABCPRT)

**San Francisco**—Rehabilitations and Liquidations. Board of Trade of San Francisco, 444 Market St., G. W. Brainard, Sec'y.

Note: Independent Organization not controlled by but wholeheartedly endorsed by the National Association of Credit Men, and the official Bureau of the San Francisco Association of Credit Men. (ABRT)

**San Francisco**—Collections and Traveling Adjuster Service. Collection Department of the San Francisco A. C. M., 500-10 Oceanic Bldg., O. H. Walker, Mgr. For Rehabilitations and Liquidations, see Board of Trade of San Francisco. (CP)

**COLORADO—Denver**—Adjustment Bureau of the Rocky Mountain A. C. M., 833 Cooper Bldg., James B. McKelvy, Mgr. (ABCPRT)

**DISTRICT OF COLUMBIA—Washington**—Adjustment Bureau of the Washington A. C. M., 327 Munsey Bldg., John A. Reilly, Mgr. (ABCPRT)

**FLORIDA—Jacksonville**—Credit Association of Northern Florida, P. O. Box 4067, W. B. Oliver, Mgr. (ABCPRT)

**Miami**—Adjustment Bureau of the Southeastern Credit Assn. of Florida, 27 N.W. Miami Court, F. G. Hathaway, Mgr. (ABCPRT)

**Tampa**—Adjustment Bureau of the Tampa A. C. M., 5 Roberts Bldg., S. B. Owen, Mgr. (ABCPRT)

**GEORGIA—Atlanta**—Adjustment Bureau of the Atlanta A. C. M., 305 Chamber of Commerce Bldg., C. L. Williamson, Mgr. (ABCPRT)

**IDAHO—Boise**—Adjustment Bureau of the Boise A. C. M., 209-9 McCarty Bldg., H. L. Streeter, Mgr. (ABCPRT)

**ILLINOIS—Chicago**—Adjustment Bureau of the Chicago A. C. M., 1400 Midland Bldg., 176 W. Adams St. (ABCPRT)

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**South Bend**—Adjustment Bureau of the South Bend A. C. M., 829-30 J. M. S. Bldg., E. J. Payton, Mgr. (ABCPRT)

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**KENTUCKY—Lexington**—Adjustment Bureau of the Lexington Association of Credit Men, 28 Northern Bank Bldg., E. M. McGarry, Acting Mgr. (ABCPRT)

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**Springfield**—Adjustment Bureau of the Western Mass. Assoc. of Credit Men, 616 State Bldg., H. E. Morton, Mgr. (ABCPRT)

**MICHIGAN—Detroit**—Adjustment Bureau of the Detroit Association of Credit Men, 1253 First National Bank Bldg., L. E. Deeley, Mgr. (ABCPRT)

**Grand Rapids**—Adjustment Bureau of the Grand Rapids Association of Credit Men, 490 Houseman Bldg., Edward De Groot, Mgr. (ABCPRT)

**MINNESOTA—Duluth**—Duluth Jobbers Credit Bureau, Inc., 501 Christie Bldg., E. G. Robie, Mgr. (ABCPRT)

**Minneapolis**—Collections and Traveling Adjuster Service; Associated Creditors, Inc., 540-44 Baker Arcade, J. L. Brown, Sec'y-Treas. For Rehabilitations and Liquidations see St. Paul. (CP)

**St. Paul**—Rehabilitations and Liquidations. The Northwestern Jobbers Credit Bureau, 241 Endicott Bldg., W. C. Rodgers, Mgr. For Collections and Traveling Adjuster Service, see Minneapolis. (ABRT)

**MISSOURI—Kansas City**—Adjustment Bureau of the Kansas City Association of Credit Men, 315 Hall Bldg., C. L. Davies, Mgr. (ABCPRT)

**St. Louis**—Adjustment Bureau of the St. Louis Association of Credit Men, 214 N. Sixth St., Orville Livingston, Mgr. (ABCPRT)

**MONTANA—Billings**—Adjustment Bureau of the Montana-Wyoming Association of Credit Men, Box 1184, Meredith Davies, Mgr. (ABCPRT)

**Great Falls**—Adjustment Bureau of the Northern-Montana Association of Credit Men, Box 1784, Mrs. M. M. Berthelote. (ABCPRT)

**NEBRASKA—Lincoln**—See Omaha.

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**NEW JERSEY—Newark**—Adjustment Bureau of the North Jersey Association of Credit Men, 17 William St., Wm. H. Whitney, Mgr. (ABCPRT)

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**New York City**—New York Credit Men's Adjustment Bureau, Inc., 488 Fourth Ave., Henry S. DeVault, Mgr. (ABCPRT)

**NORTH CAROLINA—Charlotte**—Credit Interchange and Adjustment Bureau, Inc., of the Charlotte Association of Credit Men, 1117 Commercial Bk. Bldg., W. H. Abernethy, Jr., Mgr. (ABCPRT)

**OHIO—Cincinnati**—Commercial & Industrial Engineering Department of the Cincinnati Association of Credit Men, Temple Bar Bldg., J. L. Richey, Mgr. (ABCPRT)

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**Toledo**—Adjustment Bureau of the Toledo Association of Credit Men, 136 Huron St., H. W. Voss, Mgr. (ABCPRT)

**Youngstown**—Adjustment Bureau of the Youngstown Association of Credit Men, 1105 Mahoning Bank Bldg., H. B. Doyle, Mgr. (ABRT)

**OKLAHOMA—Oklahoma City**—Adjustment Bureau of the Oklahoma City Association of Credit Men, 907 Cotton-Grain Exchange Bldg., E. E. Barbee, Mgr. (ABCPRT)

**OREGON—Portland**—Adjustment Bureau of the Portland Association of Credit Men, 471 Pittcock Block, E. W. Johnson, Mgr., W. Redman, Executive Secretary. (ABCPRT)

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**Pittsburgh**—Adjustment & Service Bureau of The Credit Association of Western Pa., 1213 Chamber of Commerce Bldg., H. M. Oliver, Mgr. (ABCPRT)

**Johnstown**—(Eastern Dist. Office) Adjustment Bureau of The Credit Assn. of Western Pa., 632 Swank Bldg., R. H. Coleman, Dist. Mgr. (ABCPRT)

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**Tacoma**—Wholesalers' Association of Tacoma, 802 Tacoma Bldg., E. B. Lung, Sec'y, (ABCPRT)

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**Huntington**—Tri-State Credit & Adjustment Bureau, 1200 First Huntington National Bank Bldg., E. V. Townsend, Mgr. (ABCPRT)

**Charleston**—(Branch Office) Tri-State Credit & Adjustment Bureau, 408 Capital City Bk. Bldg., Lee H. Henkel, Mgr. (ABCPRT)

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**Green Bay**—Adjustment Bureau of the Northern-Wisconsin Michigan Association of Credit Men, 123 N. Washington Street, C. W. Shekey, Mgr. (ABCPRT)

**Oshkosh**—Adjustment Bureau of the Central Wisconsin Association of Credit Men, 311-13 First Natl. Bank Bldg., C. D. Broom, Mgr. (ABCPRT)

# WOULD YOU SIT ON A NEST OF EGGS



—and Try to Hatch Them?

THOMAS A. EDISON DID. Little Tommy Edison did a lot of things that were considered queer. When he was six years old he was found sitting on a nest of goose eggs trying to hatch them. Eggs won't hatch unless they are kept warm. Tommy Edison knew that.

The eggs in the "nest of life plans" are the same way. They will not hatch unless they are kept warm by effort and enthusiasm. The golden egg in the "nest of life plans" is education.

One of the most important steps you can take in credit and business education is to consider the answers to the four questions that follow—and then make your own decision.

**WHY** should you take the Credits and Collections correspondence course of the National Institute of Credit? Because, as President Hoover emphasized, when he was Secretary of Commerce, *the time is fast approaching when the man who doesn't know credit won't know business.* 93% of all business transactions in this country are conducted on a credit basis. Credit knowledge today is quickly translated into earning power. It is indispensable to an executive interpretation of business.

**WHO** will be helped by the course in a practical, business way? Anyone from the president of the largest corporation to the youngest clerk in a Credit De-

partment. For the young man entering the Credit Department the course is indispensable. It is full of value for the man who has years of business experience. Everyone in business will find it rich in values.

**WHAT** does the course contain? The course offers a background of credit that will give anyone taking it an analytical insight into the 93% of our business transactions that are conducted on credit. It is the result of the best thought of executive thinkers along credit lines for the past thirty years. Through its methods you solve credit problems as you would actually meet them in business. In this day of close competition you will find the Institute's Credits and Collections Course the best means of getting the training so highly essential to your success.

**WHEN** should you begin the course?

*At once.* Turn the spare time of the remainder of the summer into cash-value study. Everywhere you turn today you hear the word "credit". Lay the foundation for a thorough understanding of its meaning. Get ready for winter promotion. *Clip the golden egg coupon* at left and take the opportunity of receiving additional and valuable information.

DR. FRANK A. FALL  
NATIONAL INSTITUTE OF CREDIT, DEPT. 8  
One Park Avenue  
New York City.

Please mail information about your Credits and Collections course ( ).

Also send data concerning course in Basic Economics ( )

Name .....

City ..... State .....

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**WHO** is the White Fireman? He is used in this advertising to symbolize loss-prevention engineering service—a nation-wide service, supported by insurance companies, having for its purpose the reduction of loss-hazards. Consultation on proposed structures, inspection of property, testing of materials and equipment, and many other kinds of technical assistance comprise the work of this service. Ask your North America Agent.

North America Agents are listed in the Insurance sections of classified telephone directories under "INSURANCE CO. OF NORTH AMERICA."

# Insurance Company of North America PHILADELPHIA and Indemnity Ins. Co. of North America

*write practically every form of insurance except life*  
The Oldest American Fire and Marine Insurance Company—Founded 1793



**O**NE of the greatest of modern weapons for fighting any condition which menaces public interests is the general dissemination of information by the printed word.

The White Fireman is making the most of the power of the printing press as an effective means of combating what is a very serious public menace—FIRE—which each year destroys twenty thousand lives and

wipes out property worth a half billion dollars.

Hundreds of millions of pieces of literature are published every year by the Loss-Prevention organizations symbolized by the White Fireman—treatises on fire-resisting construction, booklets describing the correction of all sorts of fire hazards, engineering reports of disastrous fires and their causes, brochures designed to interest schools and

school children in fire prevention, technical data on the improvement of hazardous manufacturing processes, and hundreds of other types of informative printed material.

This is but another phase of the service rendered to the public by Loss-Prevention organizations supported by insurance companies. If you would know how the White Fireman can help you to make your property safer, call on the nearest North America agent.

Property Owners may Secure Loss-prevention Service through Responsible Insurance Agents or Brokers

**T**HE Washington Monument has a significance deeper than mere beauty and sentiment. It is a memorial to the perseverance of our people and the permanence and security of the nation.

Likewise stands Insurance, a monument to the permanent security of the vast wealth dependent upon it for protection.

The Red Royal Shield on an insurance policy means *security first*.



Ewing Galloway

*"Security First"*

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